the Freeman

Ideas on Liberty

APRIL 1973

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INTERNATIONAL MONETARY CRISIS

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CLARENCE B. CARSON

THE FOUNDING OF THE AMERICAN REPUBLIC

21

The Beacon of Liberty

WHY SHOULD ANYONE bother to write the history of the founding of the American Republic? Or why, if it be written, should anyone bother to read or study it? Because, it has been asserted, it constitutes an epoch, and even an epic. That may be true enough, but if that epoch be wrenched out of its broader context, why should it be considered an epic? Here were some colonies on a remote continent which revolted from the empire of which they were a part and succeeded in effecting the separation. Having done so, they repudiated their paper money, could not meet many of their obligations, and lacked respect of the great powers of the world. Their Confederation lacked energy, and there was considerable doubt whether their state governments could maintain order. In these circumstances, they made a concerted effort to revamp and reorganize to effect a "more perfect Union." As we have left the story, they appear to have succeeded in doing this in considerable measure. Though this was an achievement to be admired, it would not suffice to make the story one of epic dimensions.

Nor should the account be read as a glorification of war. Even if

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Dr. Carson, noted lecturer and author, is living at present in Alabama. The articles of this series will be published as a book by Arlington House.

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war were worthy of glorification, the struggles in America would surely count as among its less notable episodes. There were few great battles; usually when one loomed ahead, a withdrawal occurred rather than a fight to the finish. The British used a great many foreign mercenaries. The Americans relied extensively on the militia, whose members would hardly qualify as soldiers. The Continental armies were rag-tag bob-tail aggregations with all too little discipline and shortages of almost everything else that makes armies go. True, there were great acts of personal heroism, and there was the exemplary tenacity of a few leaders, but these were offset often enough by cowardice of militia, lack of resolution by governments, and a civilian population looking the other way when help was needed. In any case, it is unlikely that the miseries of the Continental armies would be recalled as a glorification of war.

No more is this account to be understood as simply a veneration of government in general or of American governments in particular. Government is necessary; those of a pious bent may properly say that it is ordained. That is, man is such, and society is such, that government is required to maintain the peace. But if government were all that were wanted, it would be possible to construct a much simpler one than the federal system of government in these United States. The exercise of government power does not require checks and balances, the separation of power, two or more distinct jurisdictions, a duplication of court systems, nor a multiplicity of elected officials. Much of this is actually extraneous to the efficient exercise of governmental power.

The Idea of Ordered Liberty

What makes the story worth retelling, then, and gives it its epic dimensions, is neither war nor government. It is worth recalling because in the midst of war, diplomatic contests, internal divisions between Patriots and Loyalists, fiscal irresponsibilities, political squabbles, a sufficient number of Americans clung to a hope and an idea to bring it forth from the upheaval and make strides toward realizing it. That idea, if it must be put in a phrase, was the idea of ordered liberty, the idea that America should be a land where protections of liberty and property were firmly established, a refuge for the persecuted to come to, and a beacon shining forth as a guide for others to follow. George Washington could speak with the assurance that he knew his countrymen when he said, in his Farewell Address, "Interwoven as is the

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love of liberty with every ligament of your hearts, no recommendation of mine is necessary to fortify or confirm the attachment."

This epoch is raised to epic proportions, then, by the quality of the idea that nourished it and by the degree to which the men of that day were able to achieve it. The era is appreciated the more for the epic that it was when it is seen in its proper context of past and future. It is what the United States became that justifies our attention to its beginnings, and it is that out of which it was wrought that gave it substance.

A Rebirth of Freedom on the American Continent

The epic of the founding of the American Republic is no less than the epic of the rebirth of liberty on the American continent. That is right; it was indeed a *re*birth.

It would have been quite strange if it had been other than a rebirth. All our births are but rebirths. They are not the less remarkable for that, for we celebrate and stand in awe of the succession of rebirths which give continuity to and perennially freshen and renew our world. What is spring but a rebirth of what was there the year before? Every plant that springs from a seed is a rebirth of its parent plant. Every child born of woman is a rebirth of the human form in new attire. Rebirth stands at its peak when Christianity proclaims that you must be born again, that a rebirth in spirit is greater than the original birth. It is not for man to create; it is sufficient that he be able to take part in re-creation.

But there are facts enough to support the position that it was a rebirth of liberty that took place in America; it does not have to be made to follow from the universality of the phenomena. It was a rebirth of liberty because Americans took the elements from the past which they shaped into their own system for the protection of liberty. That is about all that history affords—elements—, for they have all too seldom been drawn together in a working system. The story of mankind is full to overflowing with examples of oppressions, tyrannies, restrictions, and repressions. Arbitrary government has been the rule; government restrained is the exception. Yet here and there and from time to time there have been practices which ameliorated the oppressions and allowed for greater or lesser amounts of liberty. The Founders of these United States combed the pages of history, read the works of political thought, sought guidance from all sources known to them, and brought their own traditions to bear on the subject to

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learn what they could of how to establish governments that would provide ordered liberty.

The records of the Hebrew people contained in Scripture were of interest; the philosophers of Greece offered hints; the natural law philosophy in ancient Rome was a fount of inspiration; the separation of powers in the Middle Ages in abstracted form provided them a clue and example; the British tradition was ever at their back; and their own colonial experience provided them with numerous examples, bad and good. From these they drew and out of them they wove a frame of government with which to work. All that they had learned they viewed with a canny eye to discern where other systems had failed and what it would be in their own that would give way first before the bent of men toward power. Looking at the matter in the long run, they were reasonably certain that their labor was futile, for the work of men in the past had eventually fallen prey to man's interior bent to destruction; they saw little enough reason to suppose that theirs would meet with much better luck. Perhaps what was reborn would be a little stronger than what had gone before because its elements had been carefully selected, but that was the most to be hoped for.

A Success Story

The act of rebirth would not, however, have been worthy of extended attention if the infant had been stillborn or if it had been frail and sickly, destined shortly to pass away. What finally makes the founding of such significance is that the American story is, in most important ways, a success story. So it has been adjudged, and so it must be adjudged by the yardsticks that men apply to nations. Those English Americans who had landed on some of the most forbidding territory, or that which was among the least promising in the new world, did, in the course of time, press on across the Appalachians, push their way to the Mississippi, surge across the great plains, pick their way through the Rockies, and establish themselves on the Pacific. Everywhere they went, they carried with them their religion, institutions, language, and constitutions; all others yielded to them, by and large. Conquests there were, but that is not the main story. The main story is one of construction: of houses, of bridges, of fences, of factories, of roads, of canals, of railroads, of barns, of communities, and of cities. In time, they were so productive that the Europe which had once succored them would turn to America for sustenance. It is not a story, of

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course, in which the pure in heart can always rejoice and take comfort. None of the stories that involve men over any span of time are of that kind. But it has been a success story which could have been viewed by the Founders – who were mostly men who did not expect too much of the frail reed that is man and could therefore rejoice in what he did accomplish – with a measure of pride. They had laid a strong foundation for the United States.

What Accounts for Success?

Any historian worth his salt must pause to ponder the sources of this success, and, it should be said, a goodly number have. But the success of America has not been of academic interest alone; peoples around the world have had and have a considerable interest in America. They have poured in large number to American shores in search of refuge and opportunity. They have sought to abstract from the American system those features they supposed have given the success. Of course, the successful are frequently envied, often despised, and sometimes hated, but they are, nonetheless, imitated.

It is common to ascribe the American success to a variety of causes, ranging from chance or luck to a favorable environment. Some declare that the United States was particularly fortunate during the nineteenth century because of the remoteness from Europe, or because of bountiful resources, or because Presidents have been of a higher caliber than might have been expected, or because the British navy formed a protective shield, or because of a temperate climate which was mild enough to permit work the year round yet demanding enough to stir effort, or any of a large numbor of causes in combination. But the underlying explanation to which most who have written or spoken on the subject subscribe as judged by the attention given to it is American democracy. They have seen the greatness of America in the quest for democracy and the achievements of America as the fruit of democracy. It is this, above all else, that Americans have talked most about exporting in more recent times and that other countries have most often made the most noise about imitating, however sincerely or with whatever results.

Accidentally Democratic

There is no denying that there are and have been democratic elements in the American political system. The Founders believed in popular government, up to a point, and many quotations could be arrayed to show that they argued

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that the Constitution provided for a government resting on the consent of the people. They held that popular consent was the source of governmental authority and the fount of its strength. It should be said, however, that what they meant when it is decided by what they did was that government actions, to be legitimate, must have the consent of the property owners and taxpayers. But it is seriously to misread both what they thought and what they did to call it simply democratic; and it is an even more serious error to ascribe to democracy the foundation of American liberty and success.

The matter can be put strongly, perhaps too strongly, by saying in philosophical terminology that the democratic features of the American political system are *accidents*. In the common parlance, this is roughly the equivalent to saying that the democratic features are incidental. Note well, however, that to call them philosophical accidents is not to declare them unimportant. It is an accident, in this sense of the word, that one man is born black, another white, one red, and another yellow. None will deny that much importance has been and some importance may attach to these distinctions. But they do not go to the heart of the matter of what a man is. Color is not *essential* — again, speaking philosophically —; it is accidental or incidental to the nature of man. So democracy is accidental, that is, not of the essence of the American political system.

Means to an End

To put the matter another way, and to get closer to the point, the democratic (or republican, if one prefers) features of the political system are largely means to an end, and not to be confused with the end. They are means to legitimating government, selecting officials, and justifying the claims of government on the goods and services of the people. The end of government, so the Founders thought, is to provide order and to protect life, liberty, and property. Nor did they suppose these to be disparate ends. The surest means of promoting happiness (to which order is the one absolute requirement), they thought, is to protect individuals in their possession of life, liberty, and property. After all, the sources of disorder among men in community are the quest for power and the contentions over property. Indeed, so universal have been the contentions over property that some have supposed that, if property be done away with, so would the sources of conflict among men. There is no reason to suppose that this would follow, however, nor do such efforts as

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have been made to do so give evidence to support it. On the contrary, when property rights are abolished, the contest shifts to the arena of the quest for power and special privilege, which immeasurably worsens rather than improves the situation. At any rate, the Founders thought that order and liberty are correlative ends of government.

Limited Government — and Free Men

The *essence* of the American political system is *limited government*. This conclusion is supported in almost every paragraph of the Constitution. Limited government is the reason for being of checks and balances, the separation of powers, the two branches of Congress, the presidential veto, the power of the courts to receive appeals, the enumeration of powers, the prohibitions against the exercise of certain powers, the staggered terms of elected officers, the indirect modes of election, the dispersion of powers among the states and the general government, and the having of a Bill of Rights. One qualification should be made to the classifying of the democratic features as accidents; insofar as the necessity for popular consent limits government, it is essential to the American system.

Had the men who made the Constitution in Philadelphia in 1787 been concerned only with establishing a popular (or democratic) government, their task would surely have been much simpler than it was, and they might have finished with it in short order. If they considered a direct democracy impractical – which they did, of course – then all they need have done would have been to contrive a list of the officials necessary to the exercise of governmental powers and to have provided for the election of them from time to time, by an explicit electorate. It is quite true, of course, that such a system might never have witnessed a second election, but anything added to it would have been by way of limiting government, not of making it democratic.

This is to say, of course, that the Founders conceived their task quite otherwise, that what was uppermost in their minds was to confide governmental powers to a general government – to make these adequate to the exigencies of the Union – and then to see that both the general government and the state governments were restrained and confined. It was for these purposes that they scanned the records of history, consulted the best minds, and called upon their experience. It was for these ends that they made the system as complex as it is.

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The Release of Human Energy

The *essence* of the *American* system – which is something much more than the political system – is *limited government* and *free men.* Government was confined that the energies of men might be released. This is the clue to the productive and constructive successes of Americans. When their energies are released, peaceful men are capable of and have achieved wonders of building, invention, production, transportation, and so forth. These activities proceed from people as individuals. They do not proceed from government, whether the government be democratic, aristocratic, or monarchical. Government is not capable, by nature, of being productive or constructive. In its capacity as government, it acts to restrain and restrict. When it uses these powers against those who would disturb the peace in one way or another it enables peaceful men to produce and construct. When it uses them to restrain peaceful men, it inhibits the constructive. Thus it is that limited government is the requirement for releasing the energies of men.

It would not be appropriate for Americans to be overmuch proud of their successes. Not only does pride go before a fall, but it is much less warranted than may be supposed. One need only to look casually at American history to see that Americans have quite often ignored and forgotten the principles of their political system, that they have confused means with ends and accidents with essences. The ink was hardly dry on the Constitution before there were those conceiving of means to expand the powers of the general government. And it would be less than candid not to say here that in more recent times there have been increasing numbers who act as if their government were some sort of energizer and fount of construction and production. The powers exercised by all governments have been greatly expanded and the energies of individuals have been more and more channeled and confined. The means – the democratic features – have been made into an end – democracy –, and many suppose that America comes closer and closer to its goal the more democratic that it is. American politicians have proven themselves to be as imaginative and inventive as those of any other land in devising justifications for the expansion of their powers. Bemused by the supposed attractions of democracy, many voters must suppose that their own powers are thus being increased, but they only increase the powers of those who hold the reins of government at their own expense.

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Enduring Principles of Liberty

It is not in pride, then, but with humility, that we return to an account of the foundations and of the Founders. It is to visit the scene of the beginnings of a great nation, but more than that to capture the sources of the greatness of it in the principles upon which it was founded. Out of the web of conflicts and contests of those years emerge the principles of liberty. They are, we may believe, enduring principles, not something invented by a generation of outstanding men. Indeed, the principles of liberty could probably be rediscovered by any man who would put his mind to the matter for long enough. But that is not necessary, they have long since been clearly enough discerned and written out. What distinguishes the Founders is that they were able to incorporate them into the fundamental laws of the land.

This epoch of history is an epic, finally, because of the quality of the work that was done, the caliber of the men who performed it, the nobility of the ideas that impelled the action, and the durability of the structure they devised. It was not uncommon for men during the days of the founding to declare that Americans had been especially blessed by the remarkable confluence of men, events, and happenings in the midst of which these United States were born. George Washington put the matter about as elegantly and reverently as could be in his First Inaugural Address:

> . . . No people can be bound to acknowledge and adore the Invisible Hand which conducts the affairs of men more than those of the United States. Every step by which they have advanced to the character of an independent nation seems to have been distinguished by some token of providential agency; and in the important revolution just accomplished in the system of their united government the tranquil deliberations and voluntary consent of so many distinct communities from which the event has resulted can not be compared with the means by which most governments have been established without some return of pious gratitude, along with an humble anticipation of the future blessings which the past seem to presage. . . .

Vestiges of Immortality

One by one, the men who had so much to do with the founding passed on to their final reward. To close this historical account with a record of their departures may serve to remind us not only that all men are mortal but also that those who strive to know and realize great ideas have a portion of their immortality here on earth.

James Otis died in 1783, the first of the notables of the epoch

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to go. He had been among the first to raise his voice against British repression, reached the peak of his forensic skill in the mid-1760's, thereafter succumbed to occasional bouts with madness, but did sufficiently recover to fight at the Battle of Bunker Hill.

Benjamin Franklin died in 1790. He was probably the first American of international fame. He had risen from obscurity to be a printer, postmaster, inventor, philosopher, diplomat, leader in his state, and elder statesman at the Constitutional Convention. His country had done well by him; he did even better by it.

George Mason died in 1792. His moment of national prominence came during the Convention, in whose deliberations he participated so well but whose product he rejected.

Roger Sherman died in 1793. This dour Connecticut Yankee performed yeoman service for his state and country over the years, never so outstandingly as at the Constitutional Convention. His last years were well spent in the Congress of the United States, where he supported the programs of Hamilton.

John Hancock died in 1793. His national fame probably rests almost solely on his efforts as presiding officer of the Second Continental Congress which enabled him to plant an oversized signature on the Declaration of Independence, but he was involved in the Patriot cause from the early years and was perennial governor of Massachusetts during most of the early years of that state.

Richard Henry Lee died in 1794. He joined early in the resistance to the oppressive acts of Britain, introduced the resolution for independence into the Second Continental Congress, was an opponent of the Constitution as it was drawn, but nevertheless served in the first Senate under it.

James Wilson died in 1798. He is remembered best for his work at the Constitutional Convention, but he was also the most able apologist for it at the state convention to consider ratification.

Patrick Henry died in June of 1799. His was over many years one of the most eloquent voices in America in defense of liberty. The making of strong and effective governments, however, was not his forte. During most of his years he could not forget that government remote from the people was a danger to their liberties.

The End of a Century

George Washington died in December of 1799, probably as a result of the ministrations of his physicians, not an uncommon way to go in those days. Most of his

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adult life had been a sacrifice to the public service, for he ever longed to devote himself to his own affairs. Although he had frequently perforce to neglect his business affairs he did not, according to his accounts, neglect his private charities.

Samuel Adams died in 1803. His had been a leading role in arousing opposition to British acts in the 1760's and 1770's: to the Sugar Act, Stamp Act, Townshend Acts, and Tea Act. Once the revolt had succeeded, however, his public service was restricted to the state of Massachusetts.

Alexander Hamilton died in 1804. His death was caused by wounds suffered in a duel with Aaron Burr, making him the only one of the Founders to die of violence from the anger of another. It is not so surprising that this should have happened to someone, for quarrels were particularly acrimonious in those days. There are many impressions to be had of Hamilton, but it is perhaps most fitting that we take our leave of him by quoting a letter he wrote to his wife just before his death. It brings us more dramatically into another age than anything I know.

This letter, my dear Eliza, will not be delivered to you, unless I shall first have terminated my earthly career, to begin, as I humbly hope, from redeeming grace and divine mercy, a happy immortality. If it had been possible for me to have avoided the interview, my love for you and my precious children would have been alone a decisive motive. But it was not possible, without sacrifices which would have rendered me unworthy of your esteem. I need not tell you of the pangs I feel from the idea of quitting you, and exposing you to the anguish I know you would feel. Nor could I dwell on the topic, lest it should unman me. The consolations of religion, my beloved, can alone support you; and these you have a right to enjoy. Fly to the bosom of your God, and be comforted. With my last idea I shall cherish the sweet hope of meeting you in a better world. Adieu, best of wives — best of women. Embrace all my darling children for me.[1]

Henry Knox died in 1806, Robert Morris in the same year, Oliver Ellsworth in 1807, John Dickinson in 1808, Thomas Paine in 1809, Edmund Randolph in 1813, Elbridge Gerry in 1814, Gouverneur Morris in 1816, and Charles C. Pinckney in 1825.

Jefferson and Adams — 1826

Thomas Jefferson and John Adams died on the same day, of the same month, of the same year — July 4, 1826. There was more that

[1] Richard B. Morris, ed., *Alexander Hamilton and the Founding of the Nation* (New York: Dial, 1957), p. 610.

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was symbolic about this that their death on July 4, but that would have been enough, for both of them had been on the sub-committee for drawing the Declaration of Independence. There was more, however, for in some ways they came to represent the poles of political belief: Adams the proponent of awe, respect, and dignity of government, Jefferson the exemplar of republican simplicity; Adams the sturdy voice of conservative New England, Jefferson the eloquent spokesman for liberal Virginia; Adams, the Federalist, Jefferson, the Republican. They had been early believers in independence and had participated in many of the tasks by which it had been won. Partisan contests had made them the bitterest of political enemies by 1800. Time has a way of healing such wounds, however, and they were fortunate to live long enough to put behind them such animosities. Eventually, they resumed correspondence with one another, and continued the friendship until death.

John Jay died in 1829, Charles Carroll of Carrolton in 1832, and John Marshall in 1835.

Shortly before his death, James Madison concluded that he was the last of the men still living who had participated in making the Constitution. Indeed, he observed, wryly, that he might well be thought to have outlived himself. Frail "Jimmy" finally died in 1836 at the ripe age of 85. The last of that remarkable group of men called Founders had passed on.

They had relighted the beacon of liberty; it remains for those who come after to keep it burning.

This concludes the series on

The Founding of the American Republic.

These articles are being prepared as a book, which will be announced as soon as it is available.

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Pilot Errors

LEONARD E. READ

IT was year's end, December 31, 1972. One of my journal entries for the day:

The *New York Sunday Times* reports as a disaster the crash of a jumbo jet in the Florida Everglades. And on the same page a mere announcement that "the President is willing to name union men to all Federal departments." In my judgment, the latter is by far the greater disaster in the long run. The jet crash, I suspect, was due to pilot error; naming union men to all Federal departments, I am certain, is also pilot error.

I have no respect for organizations as such – be they labor unions, chambers of commerce, organized religions, educational organizations, governments, or whatever. Respect can be extended only to individual persons who uphold and practice the several virtues. A person's membership in this organization or that may reveal much or nothing.

An organization is analogous to a book defined as an assemblage of pages bound between two covers. Books, as such, do not merit respect; it is the content that counts. Books range all the way from filth and pornography to intellectual and spiritual enlightenment as found in the Bible or in *The Wealth of Nations*. The vices and virtues between the covers of organizations are no less diverse. The content of each must be examined.

Why do we not witness the political pilot's willingness to name chamber of commerce men to all Federal departments? Or members of the Women's Liberation movement? Or Catholics, Lutherans,

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Episcopalians, Holy Rollers? Or corporate executives? Or Farm Bureau members? Or certified accountants? Or physicians? Why single out union members? From the standpoint of good government, there is no more logic in naming the latter than the others. There is, of course, a "reason."

And the "reason" is not that union members are distinguished beyond all others in the population for their statesmanship; they do not exhibit devotion to a common, across-the-board justice, free market and private ownership understanding and practice, or a disdain of special privilege! The real reason? Labor unions, more than any other labeled segment of the population, dictate what governments – Federal, state and local – shall and shall not do. Naming union men to all Federal departments is but an acknowledgment of their overpowering influence. It is a resignation to a political fact and I believe that this resignation, in itself, is a disaster. Find, if you will, any other reason for this "if you can't lick 'em, jine 'em" attitude!

In Search of Power

Before assaying the disastrous effects of resignation, let us reflect on the policies we are giving in to, admitting helplessness before, accepting as *fait accompli*.

Union men, by and large – or their officials, at least – sincerely believe in gaining political power, in "running the show." They regard this as a proper aspiration and, in this respect, are not to be distinguished from most of their opponents – the losers – the ones who also seek political power but with their men in the driver's seat rather than unionists. Virtually all contestants in the political arena are striving to get themselves in a position from which they can run the show. There is little attention to the philosophical issue: domineering versus freedom; the contest is which side shall have the dictatorial say-so. Most people who criticize union men should hark to Cicero's advice: "Everything you reprove in another, you must carefully avoid in yourself."

Very well! Having agreed that union men differ little from the mill run of humanity over the ages, let us now have a look at the policies they espouse.

A Cartel Backed by Force

A cartel is defined as "an association of industrialists for establishing a monopoly by price fixing, etc." Labor unions are no less cartels than are some industrial combines. They are price fixers; this is their chief claim to fame. They fix prices not by voluntary agreement but by edict backed by

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violence. Monopolists? Try to become a 747 Captain for less than $57,000 a year or a plumber in Westchester County for less than $15.80 an hour plus the contractor's percentage.

All above-market wage rates forcibly exacted by labor unions cause unemployment precisely as $20 for a pound of cheese would cause its unemployment at the table. How is this unemployment catastrophe covered up? Labor unions, using their political power, get the government to pick up the tab: public housing, urban renewal, the Gateway Arch, moon shots, and thousands of other pyramids – "make work" projects to employ resources which have been coercively excluded from the market.[1]

These "make work" projects cost billions upon billions annually. How does government pay these enormous bills? First, by direct taxation – all the voters will tolerate. This, however, is far from adequate. How make up the difference? Increase the money supply: *inflation!* The result? The dollar becomes worth less and less. It has lost nearly 70 per cent of its purchasing value in the past 33 years. As one perceptive wit phrases it: "Nothing can replace the American dollar – and it practically has."

Reflect on this problem realistically. If it were generally believed that these tactics of labor unions were leading us to disaster, citizens would have none of them. Indeed, union men themselves would not be a party to what they now applaud.

"The New Economics" — a Primitive Lust for Power

But the general belief is to the contrary. Tactics such as these comprise "the new economics" and they are given prestige by such celebrated characters as Lord John Maynard Keynes, as well as by thousands of so-called economists spawned by them. These tactics are now believed to lead not to disaster but to prosperity and social welfare. Old fogeys may still frown on wage rates fixed above the market by violence, with government taxation and inflation to pick up the tab for the resulting unemployment; but why fret when assured that the consequence is all to the good! So goes the "reasoning."

As if "the new economics" were really new! Actually, all of this is

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[1] The so-called Full Employment Act of 1946 authorizes governmental spending and relief programs to employ overpriced labor and other resources for purposes for which there are no willing customers. For further discussion see Henry Hazlitt, *The Failure of the "New Economics,"* Princeton, N. J., 1959, pp. 399-408.

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an inheritance from our barbaric ancestors. It rests on the primitive notion that these self-appointed rulers are capable of running the lives of others beneficially. The fact? No person who has ever lived has such a capability over any single individual, let alone over millions. All wielders of this kind of power resemble the rest of us in knowing substantially nothing, but they are unaware of how little they know. All of "the new economics" is old hat.

I am trying to suggest that *beliefs* are here at issue. And at stake is the overthrow of the newest and most enlightening thoughts in human history, that is, as pertaining to political economy: free, voluntary exchange, private ownership, and limited government concepts. Were we to collapse life on this earth into a calendar year, these ideas have been perceived during the last 3½ seconds before midnight of December 31. However, as Ortega points out, it is always the latest and highest acquisitions of the mind that are the least stable and the first to be abandoned whenever crisis threatens. The new, the wonderful – individual freedom – is now being abandoned in favor of the old, the primitive, the domineering way of life.

Sound economics is about as simple as this: Were the price of cheese to be coercively fixed at, say, $20 per pound, there would be no consumption. And were it coercively fixed at, say, 2¢ per pound, there would be no production. I say to all political rigging, "Cheese it!"

Even if the political pilot gives in to "the new economics" by expressing a willingness that union men be named to all Federal departments, and even if millions of others evidence such resignation, I must hold out for freedom though I may seem to stand alone. My faith tells me, however, that there are thousands of others – The Remnant – who are determined to do the same.

On Power

IDEAS ON LIBERTY

POWER tends to corrupt and absolute power corrupts absolutely. Great men are almost always bad men, even when they exercise influence and not authority. There is no worse heresy than that the office sanctifies the holder of it.

LORD ACTON
In letter to Creighton, April 5, 1887

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V. ORVAL WATTS

INDUSTRIALISM: Friend or Foe?

CAPITALISTIC industry today stands before Judge Public Opinion charged with various high crimes and misdemeanors.

Among the charges are (1) that it makes those who take part in it materialistic in tastes, interests, and ways of living; (2) that it standardizes people – turns them into robots, kills individualism; (3) that it concentrates "power" in the hands of a few who use this power with little regard for the welfare of others.

Those making the charges demand increasing government action to punish and prevent these alleged offenses against the common weal. Unfortunately, all too many Americans are ready to cast their ballots for the prosecution when they enter the polling booths on election days.

Yet, nearly all Americans show by their daily conduct that they really *like* what modern industry – big and little – does; and the vast majority of mankind look to the most industrialized, free-enterprise nation – the United States – as a Mecca which they would like most of all to visit and if possible make their permanent home.

Most people, worldwide, for example, like what modern industry produces. From chewing gum to cameras, from aspirin to automobiles, they buy machine-made goods. Moreover, they buy, often and abundantly, the products of the free-enterprise elite, that is, the products of the industrial giants; and they generally buy with confidence that they will get a fair deal. Similarly, where they can, millions of housewives go to the

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super-markets, chain stores, and big department stores for the necessaries of life, as well as for thousands of comforts, gadgets, and sundries from toothpaste to tissues, from soap to stockings, and from vitamins to vacuum cleaners. And when shoppers go to small stores, or dealers, they usually buy goods that big companies, in some way or other, have helped to make.

Millions of these customers also earn their wages and salaries in the employ of the biggest manufacturing, commercial, and financial firms where free-enterprise industrialism is supposedly doing most to turn them into dehumanized robots. Fully one-fourth of the working force of the United States prefer the wages, working conditions, and "fringe benefits" of the big employers; and I never met any of these who seemed ashamed of his employer. On the contrary, they generally appear proud to be associated with one of these outstanding enterprises.

More millions of Americans, including millions of employees and customers, also invest their savings in the stocks and bonds of these big companies. Or they put their money in banks, insurance companies, and other agencies which buy the securities of big companies in the belief that these are likely to be especially safe and profitable ways to invest the funds entrusted to them.

Big Businesses Foster Small Businesses

Millions of small businesses buy, sell, and service the products of the biggest industrial companies; and hundreds of thousands of small producers act as suppliers for the "big boys." For example, the United States Steel Co. buys from 50,000 small and medium-size concerns and sells to 100,000 more.

Thus, small and medium-size establishments do most of the business in the United States, the world's most industrialized country. A firm with less than 500 employees is a small or medium-size business by U.S. standards. Such firms, together with farmers and the self-employed, account for two-thirds or more of the total work force outside of government service.

The fact is that big business gives rise to smaller businesses. So the "Big Four" in the automobile industry create opportunities for many thousands of dealers in cars and accessories, car "laundries," and garages, and the big oil producers and refineries create opportunities for more thousands of service stations. Furthermore, the growth of big business provides the jobs, income, and materials necessary for new enterprises to

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develop and market new products. Some of these may rise from a basement or garage to skyscraper status; but they all *start* small, and most of them *remain* small.

Without large-scale industrialism and big business, in fact, America would be still in the horse-and-buggy age, and so too would be the rest of the world. The industrial giants – railroad companies, producers of steel, aluminum and copper, auto manufacturers, producers of farm machinery and chemicals – these built the foundations of our modern economy, and they are still maintaining our unprecedented affluence.

We should remember, too, that mass merchandising is essential for large-scale industry. The great selling organizations – mail-order houses, department stores, chain stores, and supermarkets – have brought down the costs of trade as the great industrial organizations have reduced costs of extraction, transportation, and processing. *These "distributors" are as truly productive and as necessary for economic progress as the mines and factories.* The same may be said for finance. Without large-scale banking, investment, insurance, and brokerage there would be neither large-scale merchandising nor large-scale output of goods to market.

But is this affluence provided by modern industry too costly in terms of the human spirit and individual dignity? Does mass production turn human beings into materialistic, standardized robots?

Mass Production Means Mass Prosperity

True, "mass production" means standardization of products and methods, and this mass production implies a mass market. It is production for "the masses." At first thought – without looking at the facts – this seems to mean standardization of people – turning them into faceless non-persons. Yet, this mass production by way of standardization is precisely what the communist rulers of Russia and China want for their subjects because *it means mass prosperity.*

What big concerns arise in freedom to serve only a wealthy few? *In freedom,* big business must produce mainly for factory workers, farmers, stenographers, school teachers, bookkeepers, sales clerks, mechanics, waiters, government employees, carpenters, and plumbers, along with other modestly paid producers and their dependents. These buy most of the products of industry because they get most of the total income of this nation.

And let us not forget that the pensioners and "reliefers" also have radios, TV sets, and drip-dry

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shirts, along with the necessaries of life. If any American goes barefoot, it is from choice, not necessity, for our mass production has made shoes so abundant that Americans commonly give away or throw into the trash cans better shoes than the shoddy new footwear the victims of Communist "planning" can buy in their dingy shops.

But besides an abundance of the necessaries and comforts of life, and besides the great variety of recreations and entertainments, free-enterprise industry and business provide the high purchasing power and leisure necessary for cultivation of the arts and literature, for schooling and research, for books and free lectures on every conceivable subject. They provide these on a scale never known before the advent of modern industrialism, and have made them available even to the poorest of our population.

The victims of communist rule covet these fruits of free-enterprise capitalism; and their rulers try hard to establish the same great industries and marketing organizations that we have in the United States. And they do get a certain bigness and large-scale industry. But their industries, big and little, lack efficiency; and lacking efficiency, they progress only at a painfully slow rate – and I do mean *painfully*. Consequently, communist countries lag behind the U.S., economically, as far as they did 30 or 40 years ago.

But we come back to the question: does mass production and mass prosperity produce a mechanized, standardized, collectivized, materialistic people?

Industry Fosters Personality

In the answer to this question we find a strange paradox. *In freedom,* mass production actually personalizes – individualizes – both consumer goods and the uses we make of them. It continually creates a greater variety of occupations and greater opportunity for individuals to choose the kind of work and working conditions which best fit their particular interests and abilities. It provides increasing opportunities for intellectual and artistic pursuits, for extending each person's circle of friends, for increasing awareness and sensitivity, that is, for the development of personality. In short, modern free-enterprise industrialism *reduces* the amount of drudgery, the long hours of monotonous, mind-dulling toil, and the subsistence levels of poverty which held the vast majority of mankind at a near-animal level of mind and spirit for untold aeons of the past. It enables humans to become *persons.*

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Furthermore, it is the opportunity for individuals to satisfy a vast variety of tastes and pursue countless individual interests – intellectual, artistic, literary and social, as well as recreational – that provides the drive and enterprise which in *freedom* gives rise to rapid economic progress, with its mass production and giant business organizations.

Look in on any typical American assemblage – a roomful of students, a concert audience, a crowd of diners – what do you see? Outside the ranks of the few militant revolutionaries, it is hard to find two persons dressed in any way alike. Similarly, if you ask Americans about their life experiences and expectations, their work and their leisure pursuits, you will find individual variations too numerous to list.

Where else but in highly industrialized America, the land where most of the giant businesses arose and flourish, will you find the *variety* of consumers' goods offered for sale, the *variety* of jobs, the *variety* of leisure pursuits, the proportion of the population in colleges and universities, the amount and *variety* of scientific research, the *wide circles of friends* possessed by everyone who wants them, the amount of *travel*, and the widespread *awareness* of human problems and opportunities? And, insofar as other nations permit freedom for private enterprise, they correspondingly provide opportunity for development of more humane and individualized personalities.

Communism Standardizes and Dehumanizes

This points to a seldom-noted paradox: When they gain power, as in Soviet Russia and Red China, socialist authorities impose on their people, by force, the very same mass production methods which they say make robots of workers in capitalistic countries. In fact, they often carry the standardization much further than in capitalistic countries and in more burdensome fashion, as, for example, in use of the manual labor of women street sweepers and construction workers. But despite thefts, loans and subsidies from capitalistic countries, and despite ruthless coercion to get labor and capital from their subjects, they fail to achieve the prosperity necessary for individualized living – except for a small minority of privileged bureaucrats and their favorites of the moment (ballet dancers, mistresses, champion athletes or chess players, and a few scientists).

The reason for the continued deprivations and standardized ways of living for the masses in com-

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munist countries should be obvious. Centralized planning, *imposed by legal force,* suppresses individual experimentation, reduces individual incentive, and denies individual responsibility. Indeed, suppressing individual freedom to experiment is precisely what socialists mean by "planned production."

Communists regard people as no more than complex machines to be manipulated by physical means as are inanimate tools. Or they look on the proletarian masses as rather dull-witted creatures to be fed, stalled and herded about as domesticated animals. Therefore, although communist governments impose on their subjects much standardization and some mechanization, they so dehumanize their people that they lose the individual enterprise necessary for mass prosperity and general economic progress. They have achieved a measure of *technical* ("material") progress; but they provide less opportunity for developing individual talent, personality, character, and intellect than prevailed three generations ago under czarist rule.

Despite the standardization of machines, materials, and gadgets, *free-enterprise* industrialism provides increasing opportunities for "the masses" to develop, individually, the highest human qualities. This freedom for individuation in these United States is precisely why we have so much big industry, big business, mass production, mass prosperity, and mass opportunity. It releases human energies and imagination which are the driving and directing factors in progress.

Why Communist Economies Are Backward

Under socialism and communism, on the other hand, the "planners" dictatorially restrict individuation of products and personal pursuits. As a result, they fail to develop the mass production and universal affluence which they so much covet and try to produce without regard for human life and human dignity. It is under socialism, or communism, therefore, that we find the actual concentration of power and rampant abuses of power. Only under socialism or communism can the few force the rise of great industries to serve their whims about what standardized goods their subjects should have, including the weapons for imperialism, war, and their own enslavement.

For these reasons, the victims of this concentrated power remain poor – drably dressed, badly housed, misinformed, restricted, standardized, materialistic and collectivized. As a consequence, their masters must maintain mine fields, great walls, and millions of armed

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guards to keep their people at home.

If we can understand these facts and the reasons for them, perhaps we can enlarge the freedom for enterprise which this and other "capitalistic" nations have so well demonstrated is necessary for all truly *human* ("humane") progress.

Freedom Depends on Understanding

I say we can "enlarge freedom" advisedly; and I mean that we can enlarge it everywhere that humans congregate.

Complete freedom is as unattainable as complete understanding. In fact, we gain in freedom – freedom from trespass, freedom from infringement of individual rights – *only* as we progress in understanding of human nature, human conduct, individual rights and individual responsibilities.

How many Americans, for example, understand that minimum-wage laws restrict the freedom of our young people and the less skilled adults? And how much thought do we give to the demoralizing effects of this tragic denial of opportunity to bear and discharge self-responsibility?

We know that "unemployment" – useless or destructive dissipation of human energies – demoralizes its victims. But how often do we hear or read of anyone relating the sudden rise in teen-age unemployment, especially among black teenagers, to the hikes in minimum-wage rates in the past 20 years in this country?

Yet, that relation is clear and obvious; and time and time again, research has verified it as well as any cause-and-effect relationship can be demonstrated in human affairs.

We hear and read that "welfare" is demoralizing millions of our fellow citizens. But how often do we stop to think that the confiscation of some two-thirds or more of business profits by taxes is restricting the freedom of every competent employer to offer jobs to unemployed job-seekers?

I repeat: *in freedom*, industrialism provides increasing opportunity for humans to develop morally, intellectually, physically, and esthetically; and this freedom is far from complete in these United States or anywhere else on earth.

But although it is an unattainable ideal, it is imperative that man pursue it. For that pursuit requires of us the pursuit of understanding that is the very wellspring of all human progress.

Wisdom is the principal thing; therefore get wisdom; and with all thy getting get understanding.

And ye shall know the truth, and the truth shall make you free.

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Right Congregation, Wrong Sermon

JOHN C. SPARKS

IT WAS Sunday morning in church. The sermon was over. "The Price of Waging Peace" was a timely topic, for on the previous evening at seven o'clock the undeclared war between the United States and North Vietnam formally came to an end.

It was evident that the pastor had prepared well, and his delivery was flawless. His sincerity was indisputable. He talked of the need to work harder at peace – to love one another more – to bring more trust of others into our lives. He exhorted us to "pay such a price" in order to make peace work.

Since more love, more peaceful intentions, more trust of others were the keys to a lasting peace, it seemed to follow that the lack of these attributes among us, here in this small Ohio community, was somehow instrumental in causing the previous years of war.

Was the preacher talking to me? Did I feel more peaceful, loving and trusting this morning than I felt last week or during the past years when the war was being waged? While grateful that the fighting was now concluded, I could detect no change in my attitude favoring peaceful ways. My peaceful inclinations were then as strong as now. Concluding that I was not one of the culprits accountable for the war, then who could it be among others in the congregation?

Knowing most of my fellow

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townsmen, I mentally took inventory to see who might be responsible. There were several elderly widows seated together. No kindlier or more gentle persons could be found anywhere. Count them out.

No Hatred Here; Then Who Is At Fault?

An insurance man and his family were in the front row. They had been worried about their son, now away at college. The father had told me his son had drawn a low draft number and would be claimed in one more year. But that had changed yesterday, too. The Secretary of Defense had ended the military draft. Before that good news, the family and the college son were worried and perplexed. The young man would not harm anyone, had even declined to hunt and shoot deer, his father had recently confided to me. How could he be molded into a soldier trained to kill an enemy, not personally his enemy, but one designated by the state? Was the preacher's sermon aimed at this family? Hardly, I concluded.

Across the aisle sat an attorney. His nephew had moved to Canada rather than accede to the call of the U. S. military forces. To call the nephew a coward was to ignore a courageous act he performed while yet a high school student — when he risked his life to save a small child who had broken through the ice of a nearby lake. The attorney never failed to stand up for his nephew — speaking quietly in the face of rancor evident in some others who had loved ones serving in Vietnam. The attorney did not appear to be the pastor's target.

One by one I moved through the members of the congregation — all upstanding citizens, law-abiding, active in community affairs. I stopped with one family seated near the front. They used to be five, but this morning only four — and such it probably would remain. The oldest boy was lost in a bombing raid over Hanoi. Knowing the young man, I could imagine how difficult it was for him to carry out orders that would destroy lives of people he had never been closer to than at the moment the planes released their destruction thousands of feet overhead. He had no hate for anyone.

The Nature of War

Finding no one seated around me to be an appropriate culprit lacking in peacefulness and love, it seemed that the preacher's exhortation had no real meaning. If he sincerely wanted to achieve substantial progress toward permanent peace, the means he advocated — while sounding good — would ac-

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complish nothing. Nor would anything come of it if every church membership in America would have heard the same well-meant message. Why not?

The preacher had simply failed to recognize the real compelling factor in every war between nations in recent centuries. Only states conduct major wars. Manpower is a prerequisite of waging war. A physical conflict between two persons of strong differing opinions will attract very few supporters on either side willing to risk their lives or other physical harm to assist one or the other.

It is only when such conflict is between persons, who have the political power to demand that their fellow citizens join in the conflict, that a war occurs. Not much persuasion is needed to cause young men to join in arms to protect their homeland against attack. But when the conflict is difficult for the politicians to justify – when the issue is not clear, or the act not readily supportable, and especially when the conflict is in a geographic location far removed from the homeland – the state must use force to compel young men to become soldiers. Only a strong political power can enforce such a policy. Only large, strong nations wage major wars.

It logically follows, therefore, that wars in the world among nations will continue to be a probability as long as the people give their own governments great power – including the power to force the young men to become soldiers.

Big Wars from Small Errors

My thoughts on this matter turn back several years to a short essay by my good friend, E. W. Dykes, "Big Wars from Little Errors Grow" (*The Freeman,* January 1964). A friend had chided Dykes for being so engrossed in the basic principles of freedom and all their violations – no matter how seemingly insignificant, such as illustrated by a city government's garbage collection service – that he (Dykes) tended to ignore the most vital problem of the time: war and peace. He accepted the friend's challenge by the following reasoning:

> War – like many other of today's problems – is the culmination of the breaking of the principles of individual freedom, not once, but thousands of times. We are challenged to jump in at this point and apply our principles to get out of the unholy mess resulting from years and years of errors on errors. The challenge might just as well have been put in terms like this: "You are a second lieutenant. Your platoon is surrounded. Your ammunition is gone. Two of your squad leaders are dead, the third severly wounded. Now, Mr. Individual Freedom, let's see you get

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out of this one with your little seminars."

My answer: "Demunicipalize the garbage service."

Now, wait, before you cross me off as a nut. I have a point. That second lieutenant is a goner. And so is the prospect of lasting peace until man learns *why* it is wrong to municipalize the garbage service. You can't apply libertarian principles to wrong things at their culmination and expect to make much sense or progress. You have to start back at the very beginning, and that is precisely what our little seminars are for. There are people who build for tomorrow, others who build for a year, some who look forward a generation. The student of freedom takes the long view – forward to the time when war will be looked upon as we now look upon cannibalism, a thing of the past. And believe me, unless someone takes the long view, wars will continue.

Suppose a group of doctors in a meeting on cancer prevention decide to do with cancer as the state proposes to do with war: "Outlaw it." What chance would the doctors have? None. And precisely for the same reason that the state can't outlaw war: They don't know what causes it.

I think I know what causes war. In an unpublished article called "War, the Social Cancer," I developed the thesis that war is the malignancy resulting from the growth of interventionism, which invariably becomes uncontrolled, once started. Without interventionism – starting way back with things like the garbage service – war simply *cannot* happen.

What do we do in our little seminars? We make the case for freedom, which cannot coexist with interventionism. Slow? Of course, painfully slow. But who can really say and prove there is a better – or faster – way?

Agreed! If understanding of right principles must precede right action, then we must *get to* the job of bringing about an understanding of the principles of individual freedom. And it must be done so well that even the smallest seemingly most insignificant violation will not be countenanced.

Therein lies the remedy. Who, now, are the culprits? Everyone who has supported the growth of the state – voting more taxes, allowing more areas of decision-making to be removed from individual responsibility, involved in actions that give more and more power to the state.

The preacher had the culprits properly identified all the time! But the sermon he wrote to solve the problem of war simply did not fit the need. The power of the state must be reduced to a level where individual peaceful acts, love of fellowman, and trust of one's neighbors can come shining through in fact, internationally. To reduce that power is the challenge facing peace-loving people everywhere.

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RIDGWAY K. FOLEY, JR.

WHY FREEDOM? What reason underlies the contention that individual liberty supplies the most desirable condition for human existence, and that coercive restraints should be held to the minimum?[1]

A dual rationale appears, pragmatic and moral. Put simply, freedom must reign because it works and it is just.[2]

The Pragmatic Reason

The basic proposition to be proved: freedom works better than restraint in a significantly greater number of cases. Proof of this postulate will manifest a substantial reason to opt for liberty and avoid coercion, independent of any other argument.

Theories may be proven by different means. One may substantiate a supposition by conceptual rational analysis or by empirical proof. Both methods result in the identical conclusion when freedom forms the subject of inquiry. A study of human action in an ideal

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1 I have suggested elsewhere that the use of organized force should be limited to the deterrence of fraud and aggression and to the sanctioning of the administration of common justice. See, Foley, Ridgway K., Jr., "Individual Liberty and the Rule of Law," 21 *Freeman* 357-378 (June 1971); 7 *Willamette Law Journal* 396-418 (November 1971).

2 One might substitute such open-textured semantic concepts as "right" or "moral" or "proper" for the word "just."

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free market – a condition which has never existed – is only possible in the realm of the mind, yet the fruits of such an investigation impel the conclusion that only in the absence of unnecessary or man-concocted restraints will the creativity of mankind reach its zenith. An identical conclusion derives from a study of history: the freer the society, the greater the outpouring of ideas and products.[3]

A state or nation founded upon the principles of libertarian thought will witness production and distribution by free men, to all members of society resident within the borders, of a greater variety, safer, better, more durable and more desirable goods and services than will an oppressive state or nation in an identical setting. The Saracenic culture and the 19th century United States[4] witnessed a magnificent outpouring of ideas, values and material goods in comparison with their counterpart cultures, even though some of the latter were blessed with even greater natural resources and a more commodious climate. Simple modern comparisons demonstrate the validity of the proposition: East Germany versus West Germany; Russia versus the United States. In every case, by every index, more men enjoy greater economic or material benefits as society becomes less totalitarian and more libertarian.

A commonplace assertion tarnishes the value of production of material goods. Such an approach will not withstand rigorous scrutiny. Say these traducers of creativity and innovation, man is a superfluous being so long as he aims no higher than to produce material goods for consumption and to reproduce the species; it is only when he is concerned with higher or finer motivations that his existence is justified.[5]

No libertarian questions the

[3] These lessons appear over and over in the literature of freedom, from the simple and direct survey by Henry Grady Weaver [see, Weaver, Henry Grady, *The Mainspring of Human Progress* (The Foundation for Economic Education, Inc., Irvington-on-the-Hudson, New York, 1953)] to the monumental classic analysis of Dr. Ludwig von Mises [see, von Mises, Ludwig, *Human Action* (Henry Regnery Company, Chicago, 3d revised edition, 1966)]. I will not attempt to duplicate these magnificent efforts, for the purpose of this essay is much more limited: to demonstrate the foundations of freedom.

[4] Beware of the "GoldenAge" fallacy when considering the 19th century United States. See Footnote 1, *op. cit.*

[5] *Query:* Is this the meaning of the title of the autobiography of that amazing 20th century freedom philosopher, Albert Jay Nock? See, Nock, Albert Jay, *Memoirs of a Superfluous Man* (Henry Regnery Company, Chicago, 1943). Assuming, *arguendo*, this to be true, I submit that the moral rationale for liberty provided sufficient justification for the Nockian paean to individual freedom.

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right of the immaterialist to his belief, so long as he does not utilize coercive means to impose his principles upon society. It does seem singular to preach such a philosophy at the same time the preacher satisfies his material wants at the expense of others by virtue of food stamps, public housing, and welfare dole – all extracted by force from the productive in society.

What's Wrong With This?

I challenge the assertion that disparages the production of an avalanche of goods and services available for the choosing to all members of society. I can perceive no evil in creating value and exchanging that value with my neighbor for something that he has created, to the happiness of each of us. I do not find a system immoral that provides an ever-widening choice of necessaries and luxuries to the citizenry at an ever-decreasing real cost. I view no wrong in a philosophy that, by necessity, encourages the widest possible distribution of created products to all persons, in place of a closed mercantilist program which offers luxuries to the powerful or affluent and crumbs to the yeoman.

Remember well: free market capitalism offers the greatest comparative benefits to the poorer and least powerful individuals in society; the "poor" in the United States, even in that mixed bag which forms our economic system, fare far better than the wealthy in other countries. While the politically motivated recently have discovered the existence of the poor, one must remember that they have been with us always – there just were more of them a century ago.

Prior to the Market

Before the market became freer, few goods and services filtered to the sadder societal segments; one hears little of these people for a simple and pitiful reason: they died young and often of pestilence or starvation. Only the free market, with its abundance of food, clothing, and housing, with the freeing of creative men to conceive and develop new forms of medical assistance, has rendered the life of the erstwhile loser anything but short, dull, solitary and brutish. I can see no wrong in this system which so alleviates suffering and extends life.

The citizen who produces goods and services successfully in a restricted market may benefit from illiberal dislocation engendered by the politics of power. For example, the state may cede a producer a monopoly market, or grant to a worker a minimum wage. Such

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market interferences distort the supply, demand, and price of goods and services.

On the other hand, the producer or supplier who successfully markets goods and services in a free market does so because he is able to supply willing consumers with the best bargain: desirable products at an acceptable price. When he fails to satisfy people, or when his price becomes too high, or when a competitor markets a more desirable substitute, the producer either modifies his ways or leaves the market. He will not remain in business long unless, like TVA or Lockheed, he is forced upon an unwilling public by state intervention. A natural concomitant of this market dislocation appears to be the supplying of increasingly shoddy goods and services at increasingly high and inelastic prices.

Any man who freely supplies the wants of his fellowmen at the lowest bargained-for price, can hardly term himself superfluous by any objective justification. In the absence of a market, each individual would be forced to expend his efforts to supply all of his needs and those of his dependents. Such a situation allows precious little time for the production of luxuries and virtually none for creative thought.

Granted a market, and each man produces his specialty – "does his thing" in modern argot. He becomes proficient at his task, much more so than if he had to perform the myriad chores of farmer, weaver, tanner, builder, plumber, doctor, herdsman, and so on. He becomes able to devote a share of his time to pleasurable and creative activities, or just plain relaxation if he chooses. He supplies his wants by free trade, asking such price for the value he has created at a point where he can profit the most by securing the goods and services he desires. As he becomes more efficient at his chosen production, his neighbor improves his lot because the neighbor is enabled to buy better quality goods and services at ever-decreasing prices, thus permitting the accumulation of more and better products.

Supplying Cornflakes

Consider a simple example, an ordinary yet honorable profession, and measure the immaterialist claim against the seen and the unseen consequences.[6] Suppose I make and sell cornflakes, charging a price which will produce the

[6] No one thinker has employed the concept of the seen and the unseen like that amazing Frenchman, Frederic Bastiat. See, e.g., "What is Seen and What is Not Seen," Bastiat, Frederic, *Selected Essays on Political Economy* (D. Van Nostrand Company, Inc., Princeton, New Jersey, 1964) 1-50.

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greatest profit, and employing no deceit in my business. The immaterialist focuses upon the seen effect: I take otherwise unused or uneconomically employed goods and services and, using my efforts and my stored-up labor (capital), I create a new product which is desired by some of my fellowmen; I sell to them and receive money which I expend as I like.

The perceptive observer considers the rest of the sequence, the unseen consequence. One of my customers, freed from the production of his own food and shelter (partially by my entrepreneural efforts) studies long hours until he becomes qualified to impart knowledge at a university. The young people who flock to his classes include a brilliant youth who, some day, partly because of the exposure to the professor's mind, will discover a cure for cancer. Another customer, freed from the drudgery of toil in the fields, composes a magnificent anthem which brings pleasure to generations yet unborn. A third consumer, of indeterminate occupation, likewise freed from toil, finds time to become a friend to yet another individual who needs one at that particular moment. Still other customers have stories to tell, some simple, some profound, but each in his own way sending shockwaves of benefit through the lives of others. How can I, even a simple producer of a plain product, term myself superfluous if these events follow in cause-and-effect fashion?

Obviously, I can lay no valid claim to all good things that flow from the consumption of my cornflakes, any more than I can be charged with complicity in the crimes perpetrated by other, more odious, characters who likewise enjoy my product. The salient point adduced: uncoercive, undeceitful production of goods and services relieves other individuals of the necessity of production of those same goods and services if that is their choice; with the unstructured time thus created, consumers of those products are provided with the *opportunity* to partake of other activities[7] which may benefit themselves and others. Whether, and to what extent, the freed man engages in creative endeavors resides solely within his own free choice. The benefit granted by the innovator or producer to the customer is a gift of a more meaningful freedom, possibly the highest grant which one individual can bestow upon another.

The Moral Reason

The pragmatic rationale, standing independently, offers a com-

[7] At least some of which apparently meet the vague criteria of the "finer things in life" set forth in the immaterialist hypothetical heretofore.

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plete defense to those who would challenge or limit man's liberty. Yet, the moral underpinnings of freedom afford an even more intense justification for individual liberty against the ravages of man-concocted restraints.[8] Simply stated, freedom is desirable because it is just, moral and proper.

Perhaps this simplistic conclusion requires explanation and analysis to produce conviction. Man is a finite creature, limited in talent, knowledge, and ability, capable of improvement but incapable of perfection.[9] No man, no matter how wonderfully prescient he seems when compared to his fellows, possesses the omniscience to control the lives of others. Indeed, many of us find it exceedingly difficult to adequately govern our own endeavors, yet clearly each of us possesses more innate knowledge concerning our own desires and direction than does any other individual. Compare and multiply the problem confronting each of us in the myriad decisions which must be made in each human life, with a multitude of persons, each exhibiting similar strengths and weaknesses, goals and drives, complexities and dreams, and the chore of social engineering boggles the imagination.

Those persons advocating the restriction of individual freedom beyond that necessary for the prevention of aggression and fraud and for the arbitration of interpersonal disputes must rest their case upon a single arrogant assumption: some man, or group of men, no different in essence from the rest of us, cursed with the identical finiteness which afflicts us all, should be empowered, by virtue of strength, wisdom, or talent of some undefined nature, to restrict the actions of others and to choose alternatives in their stead.

The Nature of Mankind Calls for Freedom of Choice

I cannot accede to embrace this proposition. It fails to square with the nature of mankind, with reality as I perceive it. It ignores the fact that no man, however talented, possesses the innate or acquired ability to choose for others and to make demonstrably better choices. If I choose Cheer for my wash in place of Bold, who is to say that I have made an incorrect choice? Perhaps one product manifests different characteristics than the other, and rational rea-

8 Mr. Leonard E. Read uses this phrase throughout his many writings in the defense of freedom; I cannot improve upon it and can only acknowledge the source with gratitude for his efforts. See, e.g., "Justice Versus Social Justice," Read, Leonard E., *Notes from FEE* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, May 1972).

9 See essay cited in Footnote 1, *op. cit.*

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sons persuade many to choose in conformity with those characteristics; this fact does not logically prove that one is better, safer, or more appropriate for *my use*, given my nature, my goals, and my needs. Only I am privy to the information necessary to an informed choice. What is right for you may very well be wrong, or less satisfactory, for *me*. Thus, only I should be privileged to make *my choice*.

In such manner, we can demonstrate rationally that free choice should inhere in each acting, purposive being as only he can wisely choose. The moral justification for liberty resides on a more fundamental base. Each individual should be allowed to choose among available alternatives because he is a purposive being, capable of charting his own destiny. If we grant to each person the right to life,[10] then the right to liberty in the broadest sense naturally follows. Life encompasses purpose and choice; a slave lacking free choice becomes less than human to the extent his choice is restricted; man enslaves other men to the extent that he, solely or collectively, *inhibits* a selection of alternatives; moral man ought not to coerce his fellows.

Restrictive Methods Cannot Serve the Ends of Freedom

A third moral tenet appears when we recall Emerson's axiom[11] that the ends pre-exist in the means. Just results cannot follow from coercive actions. I cannot make you believe in God by compelling you to attend religious services, nor can I coerce my neighbor into the production of better goods and services by the tacit or explicit threat of violence. Often the opposite results derive from the application of force. Because I am not better qualified by intrinsic worth to judge how even one of my fellowmen should live his life in even the smallest particular, it forms the height of arrogance for me to exercise compulsion against him, no matter how foolish he appears to be. Subtly related to this premise we discover the equally valid norm that one man cannot morally force another to do his bidding because to do so would not only render the object of compulsion less human but also fail to achieve just and desirable results

10 The meaning of the right to life deserves special and separate treatment. For purposes of this essay, the right of each individual human being to his own life, without interference or enslavement by others, is assumed.

11 This concept is stressed in the writings of Mr. Leonard E. Read. See, e.g., "The Bloom Pre-Exists in the Seed," Read, Leonard E., *Let Freedom Reign* (The Foundation for Economic Education, Inc., Irvington-on-Hudson, New York, 1969) 78-86.

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because of the restrictive means employed in the action.

From these simple examples we deduce the valid rule that morally freedom is right and restriction is wrong. Notice that coercive man does not improve his position by banding together with others to form a collective which will force a decision on another or restrict the subject's alternatives. Logically, denuded of needless trappings, the state consists of collective force – the majority or currently most powerful individuals produce a cohesive force in a given territorial unit within which they limit the alternatives available to other men. Coercive force becomes no more or less restrictive or evil when exercised by conspiracy or agreement. Individual man bears moral responsibility for every choice made in life, and he must be prepared to accept the moral consequence of each act notwithstanding the fact that some or all decisions were rendered under the aegis of committee, convention or majority rule. Pillage and looting do not diminish in ethical opprobrium when performed by claques or associations. Man cannot escape the moral consequences for an action by the alibi that he acted in harmony with the dictates of the United States Army, the Chamber of Commerce, or the National Democratic Committee.

Moral order and material benefits justify the condition of freedom. Rational man should demand no other course in life.

IDEAS ON LIBERTY

For Moral Conduct

FREEDOM TO ORDER our own conduct in the sphere where material circumstances force a choice upon us, and responsibility for the arrangement of our own life according to our own conscience, is the air in which alone moral sense grows and in which moral values are daily re-created in the free decision of the individual. Responsibility, not to a superior, but to one's conscience, the awareness of a duty not exacted by compulsion, the necessity to decide which of the things one values are to be sacrificed to others, and bear the consequences of one's own decision, are the very essence of any morals which deserve the name.

F. A. HAYEK

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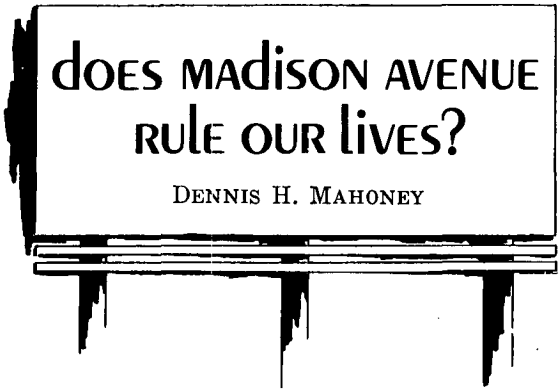

THE ADVOCATE of any type of planned economy or welfare state must sooner or later, if he is even slightly honest with himself, face the unpleasant reality that he is taking away the people's right to spend their money in the way they most prefer. Under a competitive and open market system, the individual determines his own life style. One is free to buy or not to buy any product of one's choice. Under the welfare state, on the other hand, the government makes decisions for us, presumably for our own good. Unfortunately, you may not happen to want medical insurance, public transportation, government-furnished housing, or whatever else Big Brother wants to give you. Too bad, comrade, you may as well use them, because you pay for them whether you like it or not.

The dedicated totalitarian probably won't lose a minute's sleep over this discovery. The democratic socialist, however, faces a dilemma. He is "democratic" because he wants to imitate the economy of a communist system without sacrificing basic liberties. Rather than face the inherent impossibility of his goal, he develops rationalizations designed to convey the message that the free market isn't really free (leaving socialism, of course, as the alternative).

One of the more persistent cliches reads, "Madison Avenue rules our lives." According to this theory, we buy things that we neither want nor need because we are hopelessly brainwashed by a barrage of clever advertising. Big business, the theory continues, doesn't need to respond to the

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consumer's desires, because the ad men can artificially create a demand for any product their employers produce.

An essential element of this argument is the belief that the American public as a whole is so gullible that it will rush out and waste its money on any product it sees attractively packaged. Few of us want to accept this pessimistic outlook. However, simply because something is unpleasant, it is not necessarily untrue. Nor, by the same reasoning, is it necessarily true.

Personally, I am more optimistic than the potential central planner. If Ford was able to sell anything it produced, we'd still be driving Edsels. Nonetheless, for the sake of this discussion, let's concede a point and assume – just assume – that the planner is correct, and the average consumer is really incapable of knowing what he wants or needs.

In Place of the Market

What substitute for the market place is proposed by the democratic socialist, and, to a lesser extent, by the contemporary liberal? Simple. We free ourselves from our own folly by turning our money over to the government in the form of taxes. The state, then, provides those services which are most conducive to our welfare.

And who runs the state? Politicians elected by – well, what do you know? – by those very same gullible people who can't think for themselves. The voter, who (according to the "Madison Avenue-rule theory") can't even buy a bar of soap intelligently, is expected to select a President and a Congress wise enough to know what is best for all of us.

If Americans are too foolish to purchase medical insurance, or too selfish to support the genuine needy through voluntary charity, how can we expect them to elect leaders who are smart enough and unselfish enough to make decisions about the lives of others? The only people wise enough to select someone to run their lives are those who never needed anyone to run their lives in the first place.

At this point, one might be tempted to think, as Plato did, that the only way to protect us from the irrational mob is to toss democracy out the window and let our society be controlled by a few authoritarian rulers. Unfortunately, with so many so-called "foolish" people running around, how do we guarantee that our dictator won't be one of them? How many dictators of the past and present have displayed the wisdom to understand the best interests of an entire nation? (Hitler? Stalin? Castro?) And even if we do man-

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age to get an intelligent Octavian in one generation, we must always live in dread of being saddled with a sick, brutal Nero in the next.

As long as we remain a system of men, rather than angels, a great many bad decisions will be made; this will be true regardless of what form of economy we have — capitalist, socialist, communist, or fascist. Is their really any difference?

Only the difference between a free man and a slave.

The Important Difference

None of us is subject to another consumer's taste, nor are we hurt by his bad judgment. If my neighbor buys expensive aspirin when cheap aspirin is just as good, he hasn't hurt me. I'm still free to buy the cheap brand if I so choose. Can anyone say the same for a decision made by government? If that same neighbor votes for an incompetent politician because the old fellow likes to kiss babies, then I suffer the consequences of bad government regardless of how I voted. Further, I pay the bill for every worthless program that Washington decides to launch, whether I support the program or not.

The only way to protect ourselves is to permit as little taxation and government power as possible. Let medicare, social security, Amtrak, and even the post office remain unsubsidized in the minds of the politicians who conceive them. If the majority supports these programs, then that majority will be free to purchase similar services on the open market, which can provide them for anyone who pays voluntarily. But don't force the rest of us to pay also.

The socialist who complains that the average citizen is easily pursuaded by Madison Avenue, and other attractive forms of packaging, is giving a strong argument in favor of the open market. Competitive private enterprise is the only system which protects the individual against the fickle mob by letting him decline to support its whims.

Although I don't want my neighbor's mistakes to hurt me (nor mine to hurt him), there is no reason to assume that I am not concerned about his welfare. I may try to pursuade him to do what is best, but I will not force him. I am my brother's keeper, but only insofar as he welcomes me. Otherwise, I am no longer his brother, but his slavemaster.

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PAUL STEVENS

FOR YEARS the world has been plagued by continuing international monetary crises. The international monetary system since 1944 has endured dollar shortages and dollar gluts; chronic deficits and chronic surpluses; perpetual parity disequilibria and currency realignments; disruptive "hot money" flights of capital, and numerous controls on the exchange of money and goods.

In 1968 a "two-tier" gold market was established in the midst of a run on U.S. Treasury gold reserves. In 1971 the two-tier experiment failed in the face of new foreign government demands for dollar convertibility: The U.S embargoed gold and allowed the dollar to seek its own level on the free market.

The making of an international monetary crisis

In December of 1971, a new agreement was reached – the Smithsonian Agreement – which consisted of multilateral revaluations of most major foreign currencies and a *de facto* devaluation of the dollar. In 1972 the dollar was officially devalued yet remained nonconvertible into gold.

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Further Devaluation

Meanwhile, only fourteen months after the Smithsonian Agreement was reached, the dollar was brought under new selling pressure and was again forced to devalue (a total of almost 20 per cent in under two years), and the free market price of gold soared to nearly $100 an ounce, making the official price and the now mythical "two-tier" system look embarrassingly unrealistic.

The most immediate and visible cause of the 1971 international monetary crisis can be traced directly to an excess supply of dollars which have been accumulating in foreign central banks. These dollars, some $60 billion, were at one time theoretically claims on U. S. gold. But over the years, U. S. gold reserves (now about $10 billion) have become conspicuously inadequate to meet foreign demand for gold convertibility.

At present, the major problem confronting economic and monetary Policy Makers is: "What is to be done with the approximately $60 billion held by the central banks of the western world?"

Policy Makers have instituted one stop-gap measure after another in order to buy the time necessary to solve this problem and to reach agreement on long-term monetary reform. Agreement on monetary reform will be the basis for the development of a new international monetary system, tentatively scheduled to be established by the International Monetary Fund (IMF) in the near future.

But before one can determine which reforms are necessary for a successful future monetary system, one must know what monetary policies caused the past system to fail.

Today's Policy Makers have refused to identify the most fundamental cause of the 1971 international monetary crisis; they have never wanted to know which monetary theories and policies led to the excessive and disruptive amounts of dollars that now flood the world, for the answer is: their own monetary theories and domestic policies of artificial money and credit expansion. If one wishes to project the kinds of policies that will be employed internationally and the effects they will produce in the future, one need only to look at the monetary theories held by today's Policy Makers and their effects when implemented in the past.

Monetary Theory: Past

During the nineteenth century the free world was on what was called the classical gold standard. It was a century of unprecedented production. More wealth and a

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greater standard of living was achieved and enjoyed by more people than in all the previous history of the world. The two conditions most responsible for the great increase in wealth during the nineteenth century were competitive capitalism and the gold standard: Capitalism because it provided a social system where men were free to *produce* and *own* the results of their labor; the gold standard because it provided a monetary system by which men could more readily *exchange* and *save* the results of their labor.

While capitalism afforded men the opportunity to trade in the open market which led to economic *prosperity*, the gold standard provided a market-originated medium of exchange and means of saving which led to monetary *stability*.

But because neither competitive capitalism nor the gold standard were ever fully understood or practiced, there existed a paradox during the nineteenth century: a series of disruptive economic and monetary crises in the midst of a century of prosperity.

These crises can all be traced to excessive supplies of money and credit. The U.S. panics of 1814, 1819, 1837, 1857, 1873, 1893, 1907 and the international monetary crises of 1933 and 1971 all have one thing in common: excessive supplies of money and credit. The fact is that no monetary crisis in history has ever resulted from a *lack* of money and credit. *Every* monetary crisis can be traced to excessive supplies of money and credit. Where does this money and credit come from?

Under a gold standard, the amount of money in circulation is the amount of gold circulating among individuals or held in trust by banks. All claims to gold (e.g. dollars) are receipts for gold and are fully convertible into a specific amount of gold. If the claims to gold are circulating, the gold cannot. The money supply is determined in the open market – by the same factors that determine the production of any and all commodities – the factors of supply, demand, and the costs of production. Thus the only way to increase wealth under such a market-originated monetary and economic system is through the production of goods or services.

No Curb on Governments

But the world never achieved a pure gold standard. While individuals operated under a classical gold standard with the conviction that production was the only way to gain wealth, they allowed their government to become the exception to this rule.

Government produces nothing. During the nineteenth century it

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operated mostly on money it taxed from its citizens. As government's role increased, so did its need for money.

The Policy Makers knew that gold stood in the way of government spending, that direct confiscation of wealth via taxation was unpopular. So Policy Makers advocated a way of indirectly taxing productive men in order to finance both government programs and the increasing government bureaucracy necessary to implement those programs.

The method was to increase the money supply. Since government officials were not about to go out and mine gold, they had to rely on an artificial increase. Although the methods of artificial monetary expansion varied, the net effect remained the same: an increase in the claims to goods in circulation and a general rise in commodity prices. The layman called this phenomenon "inflation." This resulted invariably in monetary crises and economic depressions.

Capitalism and gold got the blame for these crises, but the blame was undeserved.

Why then were capitalism and the gold standard not exonerated from this unearned guilt? Why were these two great institutions tried and sentenced to death by the slow strangulation of government laws? The verdict must read: "Found guilty due to inadequate defense."

The few whispers of defense from a handful of scholars were easily drowned out by every politician who argued for more government controls and regulations over the economy; by every professor who argued for the redistribution of private wealth and for government to provide for the welfare of some group at the expense of another; by every businessman and his lobbyist who argued for government to subsidize his business or industry while protecting him from foreign competitors; by every economist who advocated that government should "stimulate" the economy; and by every media spokesman who argued that the public should vote for policies of government intervention. These, and men like them, made up an army of educators.

The Policy Makers

They were the "intellectuals" who promoted theories that could not exist without the governmental expropriation of private funds; who sponsored, advocated, or encouraged government policies that would victimize men (taxation), deceive and defraud men (inflation), and turn men against one another (the redistribution of private wealth). They were the men who provided government with the

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theoretical ammunition necessary to disarm men of their rights. They educated the public on the "blessings" of government intervention, and were the ones directly or indirectly responsible for all the subsequent coercive government actions and all of their economically disruptive effects.

They were (and still are) the Policy Makers.

Policy Makers damned capitalism and the gold standard as being inherently unstable. They attributed capitalism's productive booms to government's intervention into the economy, and the government-made busts to the gold standard and the "greed of man."

Such distortions of truth could not be sold to the public easily. A united attack on common sense was necessary in order to obscure the virtues of freedom and the meaning of money.

The Process of Confusion

The Policy Maker led that attack. Armed with the slogans of a con man, he slowly obscured the obvious and concealed the sensible, cloaking monetary and economic theories in graphs, charts, and statistics, until men doubted their own ability to deal with the now esoteric problems of economy and state.

But the American public had great confidence in the integrity of their public leaders and trusted the knowledge of experts in the fields of higher learning, and so they accepted the conclusions of their Policy Makers.

The Policy Maker had made his first and most important move toward institutionalizing government intervention and his theories of artificial monetary expansion into the American way of life: he convinced the American public that men needed government protection from the "natural" depressions of capitalism and the monetary crises "inherent" in the gold standard.

Policy Makers had to do a lot of talking to convince men that the most productive system ever known to them was the cause of depressions. They had to do even more talking to convince men that the precious metal freely chosen and held as money was the cause of monetary depreciation and the source of bank insolvency. It took a lot of talking, but when they had finished, men were convinced. They were convinced that their minds – their own eyes – had been deceiving them. They were convinced that the way to freedom was through greater controls and more restrictions, and that paper was as good as gold.

While the attack on capitalism was subtle and implicit, condemnation of the gold standard was open and explicit.

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Condemnation of Gold

The reason for the Policy Maker's condemnation is that, even though governments never really adhered to it, the gold standard placed limits on the amount of artificial money and credit a government could create. Money and credit expansion was always brought to a quick end because banks and governments had to redeem their notes in gold. Redemption was the major obstacle in the way of the Policy Maker's dream of unlimited artificial money creation, unlimited spending.

The Policy Maker learned how to obtain in a matter of minutes the purchasing power of 50 productive men working 50 weeks. He learned of the plunder and loot that a button on a printing press would provide. But it would not be until the twentieth century that he would convince the government to eliminate gold and convince men of the "virtues" of legal counterfeiting. The Policy Maker had to destroy man's idea of property in order to entice men with dreams of unearned wealth. He had to persuade men of the "merits" of monetary redistribution and government handouts.

If there was a monetary rule of conduct among men during the days of the semi-gold standard it was: the man who desires to gain wealth must earn it, by producing goods or their equivalent in gold.

It was in this spirit and by this *golden* rule of conduct that men could and did operate in the monetary and economic spheres of society. Consequently, they achieved the most productive and beneficial era that mankind had ever known.

But what they never identified or challenged was the opposing monetary rule of conduct advocated by their Policy Makers: the government that aims to acquire wealth must confiscate it – or counterfeit its equivalent in paper claims.

Evolution of the Theory

The gold standard limited artificial *monetary* expansion and in doing so, it limited artificial *economic* expansion. The Policy Maker considered this great virtue of the gold standard to be its major vice.

The Policy Maker saw that artificial monetary expansion had led to economic booms. He also saw that at the end of every artificial boom there occurred a financial panic and depression.

The Policy Maker ignored the cause of financial panics, he saw only their effects – bank runs and the demand for gold redemption. He ignored the cause of economic depressions, he saw only that the boom had ended. Reversing cause and effect, the Policy Maker concluded: eliminate gold redemption

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and the financial panics would stop; eliminate the gold standard and the boom would never end.

The Policy Maker had to make another major move toward institutionalizing government intervention and his theories of artificial monetary expansion into the American way of life: he had to divorce the idea of *national* production from the idea of *individual* productivity.

Ignoring the fact that the individual was the source of production, he convinced men that in the name of "social prosperity," government could and should "stimulate" the economy and "encourage" national production; while at the same time he advocated income taxation to penalize individuals for being productive. Implicit in this doctrine is the idea that production is a gift of state, the result of government guidance; and that individual productivity is a sin, the result of human greed.

Men were subtly offered a false alternative: the "permission" to produce and be taxed directly through government confiscation; or the "luxury" of an artificial boom, to be taxed indirectly through inflation.

The American people rejected both alternatives (and still do today) yet saw no other acceptable course of action – the intellectual opposition was still too weak to provide them with one. Thus, by default, they accepted both alternatives "to a limited degree." An income tax should be levied "only on those who could afford it," while the government "should steer the economy on a prosperous course."

How was the economy to be "steered"? By supplying unending paper reserves to a regimented banking system and compelling bankers to keep interest rates artificially low. But in 1913 it was too early to sell the public on the "virtues" of the direct confiscation of gold. But the time was "right" for the takeover of the banking system. A monetary revolution was in store for America.

Fractional Reserve Banking

In the name of "economizing" gold (which allegedly was not in sufficient supply to be used as money), Policy Makers advocated a fractional reserve system. A fractional reserve system would *by law* set a ratio at which gold must be held to back legal tender notes. While fractional reserve banking had always been practiced by banks and condoned by governments, the Policy Maker formalized and legitimized it through the Federal Reserve System domestically and the gold exchange standard internationally.

What the Federal Reserve Sys-

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tem and the gold exchange standard had in common was a central banking system that used as reserves both gold and money substitutes (such as demand deposits, fractionally backed Federal Reserve notes, commercial paper theoretically convertible into various commodities, and government securities backed by the taxing power of the government). These reserves – gold and the money substitutes – served as a *base* for monetary expansion.

Gold was no longer the sole reserve asset: it was now supplemented by paper reserves. The government exercising a monopoly on the issuance of paper money could designate what should comprise the monetary reserves. Hence, redemption was now not only in gold, but also in money substitutes. In this way a pyramiding of money and credit expansion could take place without the automatic limitations imposed by the gold standard.

By the 1920's the Federal Reserve System had grown and increased its power and controls, which enabled it to increase the money supply and reduce interest rates for longer periods of time. The Federal Reserve Board succeeded in implementing its easy money policies. The problem now was that money and credit became so easy to obtain that it spilled over into the stock market and other investment areas.

The government became alarmed over this wild speculation, raised interest rates sharply, and slammed on the monetary brakes – but it was too late. The day came (that inevitable day) in October 1929 when the Law of Causality presented its bill.

Men found that their profits were merely paper profits, that their prosperity was an illusion. The stock market crashed. Men suddenly realized that on the other side of the coin of credit there existed debt. Industries fought to become "liquid"; everyone tried to get hard cash. But the hard cash – the gold – was insufficient to cover the outstanding claims.

The Great Depression

The Policy Maker succeeded in implementing his theories, yet all of the consequences that his theories were to have eliminated confronted him once again – this time to a far greater degree. This was the *Great* Depression; this was the monetary crisis that not only forced an entire national banking system to close its doors, but was of *international* dimensions. The dollar was in trouble not only at home, but also abroad. What to do?

The Policy Maker had the "answer." He viciously condemned gold and capitalism for causing

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the crisis and advocated even greater policies of money and credit expansion in order to "stimulate" the economy; more government controls, more government regulations, more and higher taxes were the "answer." Men were asked to patriotically give up their gold in order to save the nation's credit. It was a time of emergency, so Americans complied. They did not know that they would never see their gold again, that taxes would continue to rise higher and higher, and that inflation would become a way of life.

The Policy Maker had to do a lot of talking to convince men of the "evils" of gold and capitalism. He had to do a lot of talking, but when he was finished, men were convinced. They were convinced that nothing less than the direct confiscation of wealth and a vigorous credit expansion could save the nation.

Devaluation in 1934

In 1934, Franklin D. Roosevelt with one stroke of the pen confiscated the entire gold stock of America. When government held the gold and the citizens held only paper, the government reduced the value of the paper by over 40 per cent, raising the official dollar "price" of its gold holdings. (The Policy Maker had learned that credit expansion meant debt creation, but showed governments how to default on their debts by devaluing the monetary unit in relation to gold and other currencies.)

The U. S. was now on a fiat standard domestically, and again in the name of "economizing" gold, the government printed new money against its total stock of newly acquired gold. Deficit spending became a way of life and government borrowing became so insatiable that any mention of paying off the national debt was smeared as unrealistic and regressive in light of the "virtues" of continued monetary expansion. (The Policy Maker had learned that borrowing meant debt accumulation, but showed the government how to *"amortize"* its debts by charging its citizens in direct and hidden taxes.)

Domestically the fiat standard has failed miserably. It was designed to "economize" gold and provide a stable dollar. Since 1913, the dollar has lost approximately 75 per cent of its purchasing power. The fractional gold cover has been progressively reduced, and transferred to cover obligations abroad. That gold reserve has been reduced from $25 billion to $10 billion through demands for redemption by foreign governments which finally forced the U.S. to close the doors of its central bank. (The central bank was supposed to be a bank of last resort. The run on the

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Treasury's gold amounts to the largest and most prolonged bank run in the history of any nation.)

Bretton Woods

Meanwhile, internationally, in 1944 a "new" system was established – the Bretton Woods system. During the Bretton Woods era Policy Makers adopted policies of vigorous credit expansion as a panacea for the world's problems. The instrument of credit used was the dollar. In its role as reserve currency, the dollar was considered "as good as gold" and served as a supplement to world gold reserves. In the name of world liquidity, dollars would be furnished as needed to replenish and build up world reserves. The dollar was envisioned as a stable yet ever-expanding reserve currency.

In this spirit, dollars poured forth on demand via U.S. deficits in the form of foreign aid, loans, and military expenditures. Foreign demand for dollars never ceased, nor did the expansion of money and credit, until the world found itself in the midst of an inflationary spiral which turned to recession and ended in an international monetary crisis: the dollar inconvertible, dropping in value, an undesirable credit instrument and ineffective reserve currency.

The dollar was again devalued, while gold soared in value, reaching new highs. And through all this, Policy Makers have been screaming the same old theories: "Gold is a barbarous relic! It ought to be eliminated completely! What we need is *more* liquidity . . . *more* money and credit!"

What more can the Policy Maker do?

The Theory Projected

There is a causal link between history and future events – the link is theory.

A theory is a policy or set of ideas proposed as the basis for human action. To the extent that a theory furthers man's life it is a practical basis for human action and therefore a good theory. To the extent that a theory destroys man's life it is impractical, self-defeating, and therefore a bad theory.

A sound monetary theory, if employed, will facilitate trade and economic growth, while an unsound monetary theory will lead to monetary crises and economic disruptions.

The Policy Maker has been charged with providing theoretical ammunition to government. To the Policy Maker's great discredit he has learned nothing about monetary theory in the last two centuries, save how to employ more sophisticated techniques of credit expansion. He has rejected the

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lessons of history through self-induced blindness and has made himself deaf and dumb to rational economic analysis. He sees nothing except his precious theories of artificial monetary expansion.

Today's Policy Maker sees himself as participating in an evolution of the international monetary system comparable in "importance" to the role his intellectual ancestor played in evolving the gold standard into the gold exchange standard. And if by evolution the Policy Maker means a series of changes in a given direction, this is a correct description of his role. But it is the *wrong* direction. And it has been the wrong direction for over a century.

Given the monetary theories held by today's Policy Makers who are concerned with international monetary reform, one can expect a change only in the method and degree of monetary expansion – not a change in direction.

Each time the Policy Maker has seen his monetary theories implemented he has blinded himself to their effects. Each time a monetary or economic crisis has occurred he has refused to identify the cause, blaming it on the so-called "business cycle" which he insists is an inherent weakness within capitalism and which invariably causes depressions. But there is no such thing as a "business cycle" that causes depressions – only a cycle of continuous government intervention into the economy, providing newly printed money that causes inflation, malinvestment, over-consumption, the misallocation of resources – distortions and mistakes that, when liquidated, are called depressions.

There is nothing in the nature of capitalism and the free market to cause such crises. If economic history has tended to repeat itself, it is because the Policy Maker has been guiding human action and government policies along a circular theoretical course that has been tried and has failed – again and again and again.

"If at first you don't succeed . . ."

The spectacle of billions of inconvertible dollars frozen in the vaults of central banks has brought on cries of condemnation over the dollar's credibility as a reserve currency.

The Policy Maker's theory of a stable yet artificially ever-expanding reserve currency has failed. Policy Makers are willing to admit this freely. The failure, of course, was not theirs – it was "all gold's fault." The Policy Maker avoids dealing with the problem by insisting that there is too little gold in existence instead of too many claims to gold outstanding.

The "solution" to the problem

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(if the Policy Maker remains consistent) will be to evolve the international monetary system from a system in which an ever-expanding reserve *currency* provided the world with credit and liquidity, to a system in which an ever-expanding reserve *"asset"* will fill that role. Like the dollar, this reserve "asset" will amount to circulating debt, i.e. something owed rather than something owned. It will be a non-market instrument, deriving its acceptability from government cooperation and decree, "immune from the laws of the free market and outside the reach of greedy speculators."

Where will this "asset" come from? Under the Bretton Woods system, dollar reserves were furnished by the U.S. central bank. Both the bank and the "asset" failed. The next step is to create a *world* bank (a larger bank of last resort) controlled by an international organization (the IMF) with the power to create a new "asset," independent of any single government's monetary policy.

As a supplement to gold and like the dollar before it, this "asset" should be a credit instrument. Unlike the dollar, it would have the backing of an entire world of central banks. The "asset" should be ever-expanding and should provide both liquidity and stability. In short, "as good as gold."

The SDR: "as good as gold" again!

Special Drawing Rights (SDR's), or "paper gold" as it is sometimes referred to by those who can keep a straight face, was introduced to the international monetary system in 1967. It was a time when the dollar was under suspicion and gold was increasingly demanded.

In order to "economize" gold, the IMF issued a new reserve "asset" (SDR's) to supplement gold and take pressure off the dollar. The SDR is a bookkeeping entry, defined in gold yet non-convertible into gold. It serves the same function as gold since it is a reserve, but unlike gold, it can be created by a stroke of the pen.

U.S. Policy Makers have chosen the SDR as the reserve "asset" most likely to succeed in replacing gold. But just as the dollar was supposed to be as good as gold and was not, the SDR, even if made tangible and convertible into gold and/or other currencies, will suffer the same demise.

The Policy Maker has chosen to ignore the fact that there is no fundamental difference between an artificially ever-expanding reserve currency and an artificially ever-expanding reserve "asset" – both are inflationary and therefore self-destructive.

But the real threat is not that the SDR may fail as the dollar did in bringing monetary stability.

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The threat is in the damage SDR's can do if developed within a formal system. Just as the dollar replaced gold as the primary asset, SDR's have a very real potential for further diminishing the role of gold, and in doing so changing the entire nature and inflationary potential of the IMF.

The most controversial question in monetary reform today centers around the respective roles of gold and SDR's. While the U.S. has taken an anti-gold position, France has been said to have taken a pro-gold position in opposition to U.S. proposals. But if one checks the theories held by the Policy Makers of the governments involved, the "pro-gold" opposition looks absurdly weak.

The Mythical Pro-gold Governments

The U.S. wants a lesser role for gold, holding that SDR's can serve as a measurement of currency value, act as a credit instrument, earn interest, and absorb dollars. In effect the U.S. position would eliminate gold's major role without eliminating gold. SDR's would not only become the standard of value for all currencies, they would replace gold as redemption instruments.

The "opposition" (mainly France) wants gold as the major reserve asset in which all currency values are measured. While the U.S. proposes that excess dollars be "absorbed" by an IMF issuance of SDR's, France proposes instead that the official "price" of gold be raised sufficiently high to convert excess dollars in central banks.

Superficially, it would appear that there are two opposing positions being taken: one anti-gold, one pro-gold. However, both positions are anti-gold standard, hence anti-gold as a reserve asset.

A gold standard requires that governments limit the currencies they print to the supply of gold they possess – and this is considered out of the question by today's government leaders. They insist on the "right" to inflate. "Pro-gold" European governments have, time and time again, inflated their currencies, then devalued. To advocate arbitrarily raising the "price" of gold is as much an attempt to use gold as a fiat reserve asset as is the U.S. position.

While the U.S. would increase reserves by printing "assets" to cover present and future money and credit needs, France would increase reserves by raising the "price" of gold to cover the artificial money and credit *previously* created. And this is the common denominator that links the two apparently opposing positions: their basic agreement, in principle, that the artificial creation of money and credit is essential to any monetary

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system. Disagreement only arises over the *method* to be used in dealing with excessive monetary expansion, i.e., *debt*.

There are no pro-gold governments in existence today, only pro-inflation governments. The difference between governments is only in the degree of monetary expansion and the freedom of gold ownership a government permits.

"Amortize" or Default: the False Alternative

So, basically, monetary reform boils down to the following two alternatives: the "pro-gold" countries advocate *defaulting* on foreign debts via devaluation; the "anti-gold" countries advocate *"amortizing"* foreign debts via artificial reserve expansion. (The kind of "amortization" that is consistent with the Policy Makers' theories amounts to a method of constantly refinancing government debt below the market rate of interest. Given the past record of government, the principal may never be repaid in full or in real money terms.)

The third alternative is simply to not *create* debts that governments are unable or unwilling to repay. The third alternative is for governments to stop arbitrarily creating debt instruments such as the dollar in its role as reserve currency, and the SDR. These instruments and the currencies printed against them invariably depreciate and cause monetary crises. The third alternative would mean returning to the gold standard which, in today's "enlightened" era and within our "evolving" economic structure, is considered "passe" and "old-fashioned."

Thus, in the present political context, monetary reform will consist of devaluation (and/or revaluation more recently) and default on debts, or artificial reserve expansion and the "amortization" of debts or, more probably, a combination of both.

What is the difference between default and "amortization?"

Consider the example of a man whose expenditures have for some time been exceeding his income. He has in effect been running a deficit. He finds himself with more short-term claims against him than he has liquid assets. If he refuses to liquidate assets and finds a way to default on his short-term claims, the loss falls directly on his creditors. (When governments default on *their* creditors, they call it devaluation.)

But what if the man refinances his short-term obligations by printing IOU's far in excess of his assets, and offers interest on this new "medium of exchange"? What if this new "medium of exchange" is then used as an "asset" by cred-

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itors who, in turn, print IOU's against it and distribute these as direct claims to goods?

Here the loss falls on all those who are in the domain of the counterfeiters, and who must suffer the effects of artificially rising prices. (When the government thus creates fiat money in this way, they call the process "amortization".)

From this example, the following conclusion can be drawn relative to governments: any form of debt default falls squarely on the shoulders of the creditors, i.e., on the citizens of creditor governments. Any form of debt "amortization", however, falls indiscriminately on the shoulders of all those individuals within the monetary sphere of those governments participating in an international monetary system of debt "amortization." No ring of international counterfeiters has ever been, or could ever be, more of a threat to individuals and their wealth than is the IMF in its move toward international monetary "reform."

The Frightening Prospect of an International Debt

In the past, devaluation and default on excessive debt has been the method most used to eliminate debt. But, given an international system of artificial reserve expansion, the issuance of credit and the "amortization" of debts may be expected to give rise to the specter of an *international* debt.

The possibility of an international debt is not a pleasant one to contemplate. Like a national debt that continues to grow without restraint through continuous refinancing, an international debt would soon become uncontrollable and self-perpetuating.

The victims of such debt "amortization" must ultimately be individuals: taxpayers to the degree that the debt is financed directly or repaid; consumers to the degree that the debt is refinanced indirectly through the inflationary method of money creation; or creditors if and when (or to the degree that) the debt is ultimately repudiated.

Given the choice between "amortization" and default as methods of dealing with the problem of debt, and given the inflationary policies that governments are determined to follow, it makes little difference what kind of monetary "reform" is implemented. Our monetary authorities are only haggling over who should be the victims of their debt creation – foreigners or nationals.

Rational and morally concerned individuals will not cheer their government for shifting the burden of their debt onto foreign citizens through the process of debt default and devaluation. On the

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other hand, given debt "amortization," the citizens of all countries will suffer the inevitable result of more taxation and more inflation.

Thus an individual will pay taxes, and on top of that the hidden tax of inflation for *domestic programs*, and on top of that an inflationary tax for *world expenditures*, and on top of that the inflationary tax for *interest* on all inflationary debts both domestic and international.

Toward an International Fiat Reserve System

It is not an easy thing to eliminate gold from a monetary system and replace it with the continuously depreciating promises of paper money and paper "assets." All such money substitutes at one time derived their value from and were dependent on the market or exchange value of commodities.

It takes a lot of time and a lot of talking to convince men to accept artificial values as distinguished from the market-determined values in exchange. In America, Policy Makers have had nearly two centuries in which to propagate their monetary theories and institutionalize them within the policies of state. The result has been a slow erosion and obscuring of gold's role in the monetary systems of man.

The monetary system that lies at the end of the Policy Maker's theories is an international fiat reserve system. The foot in the door that opens the way to this system is the SDR.

The U.S. proposal to replace gold with the SDR amounts to just such a proposal. (Whether or not "SDR" is the final name given to a fiat reserve asset is unimportant. What is important is simply whether that asset derives its value realistically or arbitrarily.) But the U.S. knows that governments will not simply give up their gold overnight. And while it is true the so-called "pro-gold" countries have no intention of giving up their gold, the role of gold can be so diminished within the future monetary system that it will no longer serve as a protection against artificial monetary expansion, even to the limited degree that it has in recent years. An "opposition" that is in basic agreement with U.S. theories of artificial credit expansion cannot be expected to properly defend gold's role in any future international monetary system.

If there is to be a "meeting of the minds" on international monetary reform, it will come through compromise – and that compromise must lessen gold's role in the future. Worse, if this compromise is achieved, it will establish an unprecedented potential for world inflation.

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International Demonetization

What will be the nature of this compromise? Given the theories of world Policy Makers, the most probable compromise would be to issue, as "legal tender" notes, SDR's backed by a *fractional* amount of gold. The effect of such an agreement will concede to the IMF the power to create reserves and set in motion the unrestricted workings of an *international* fractional reserve system.

Just as gold was demonetized in the U.S. through the method of fractional reserve banking, the Policy Makers will attempt to demonetize gold internationally.

A sequence of events typical of what one might expect from Policy Makers would be for them to advocate the establishment of a central bank (the IMF) that has the power to create reserve assets, define the asset in gold to give it credibility (fractionally backing the asset with a percentage of gold) and, in the name of "economizing" gold, increase SDR allotments, thereby reducing and eventually eliminating the gold backing, thus facilitating the constant increase in fiat reserves.

Ultimately this system would eliminate any objective limitations on monetary expansion, thereby surrendering monetary policy into the collective hands of a world body the monetary heads of which would subjectively decide which nations will be given the "special right" to consume goods and at whose expense.

Simply Repetitious

This is not a prediction of coming events. It is simply an example of the methods Policy Makers would most likely advocate in order to achieve their goal. Notice that there is nothing innovative about the method of creating a fiat instrument, arbitrarily decreeing its value by force, then proceeding through fractional reserve banking and monetary expansion to systematically undermine the acceptability it had enjoyed by reason of its gold backing. It has all been done before.

These men are not innovators. They are simply repetitious! They would be laughable if they weren't so dangerous. But today's Policy Makers are dangerous. They have the power of government force behind all the theories they propagate. And at the end of their theories awaits chaos.

Given today's political context, an international fiat reserve system must ultimately add to massive world inflation as governments are inclined to spend more and more. This must lead to the eventual collapse of the international monetary system and with it the economies of the world.

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The Real Meaning of Monetary Reform

Monetary crises are not born from nature, they are made – man-made.

As long as governments continue to adopt policies of inflationary finance, the monetary systems of the world will be in perpetual disintegration. This disintegration will lead to crises of greater scope and intensity, recurring at shorter intervals, while the meetings on monetary reform become a way of life as Policy Makers offer only variations of their destructive and futile theories.

As long as governments continue their policies of artificial monetary expansion there can be no such thing as monetary reform. To reform means to abandon those policies which have proven to be unjust and incorrect. *Fundamental* monetary reform means that governments would have to abandon their policies of inflationary finance.

The *essence* of contemporary monetary policy is the employment of inflationary finance, which means injustice to individuals who must bear the brunt of the default and "amortization" of government debt, and the continuous depreciation in the value of their currencies. Further, it means that individuals will be forced to suffer the unnecessary and harmful effects of continuous recessions and depressions.

Until fundamental reform is achieved, the individual will remain the source of government financing. One can easily see that the source is being more and more exploited as governments resort to greater and more extensive policies of artificial monetary expansion.

If fundamental reform does not occur, it is only a matter of time until individuals and private property are squandered in an inflationary system of waste.

In the last analysis, real monetary reform must consist of returning to a gold standard. But there are preconditions to be met before a gold standard can be established as a lasting monetary system.

Men must understand what money is. They must rediscover *why* gold is the most effective medium of exchange and means of saving. And men must discover what money is *not*. They must understand that by accepting a monetary unit of value by decree, they are not only condoning theft, but are sanctioning the instrument of their own monetary and economic destruction.

When men have understood this, they will want to return to the gold standard.

But the gold standard cannot

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survive in an economy mixed with socialist controls and vaguely defined individual freedoms. Men must rediscover the virtues of the gold standard; and men will not rediscover the virtues of the gold standard until they rediscover the virtues of capitalism. Men will not rediscover the virtues of capitalism until they identify the nature of man's rights and the injustices of government-initiated force and coercion.

If the gold standard is to return to this country, it will return on the wings of capitalism and not before.

If one wishes to fight for economic and monetary stability, one must also fight for capitalism. If one wishes to fight for capitalism, one must fight for man's rights. If one wishes to engage in this fight, the battle lines are clear: one must engage in an *intellectual* battle to displace the theories held by his intellectual adversaries – the advocates of policies based on coercion.

Benefits of Money

THE EMERGENCE of money was a great boon to the human race. Without money – without a general medium of exchange – there could be no real specialization, no advancement of the economy above a bare primitive level. With money, the problems of indivisibility and "coincidence of wants" that plagued the barter society all vanish.

IDEAS ON LIBERTY

The establishment of money conveys another great benefit. Since all exchanges are made in money, all the exchange-ratios are expressed in money, and so people can now compare the market worth of each good to that of every other good. If a TV set exchanges for 3 ounces of gold, and an automobile exchanges for 60 gold ounces, then everyone can see that 1 automobile is "worth" 20 TV sets on the market. These exchange-ratios are *prices*, and the money-commodity serves as a common denominator for all prices. Only the establishment of money-prices on the market allows the development of a civilized economy, for only they permit businessmen to *calculate* economically. . . . Such calculations guide businessmen, laborers, and landowners, in their search for monetary income on the market. Only such calculations can allocate resources to their most productive uses – to those uses that will most satisfy the demands of consumers.

MURRAY N. ROTHBARD, *What Has Government Done to Our Money?*

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LAND USE WITHOUT ZONING

BERNARD H. SIEGAN'S *Land Use Without Zoning* (D. C. Heath and Co., Lexington Books, $10) is one of the most difficult compendiums of intensely analytical prose that this reader has ever encountered. To get past the detail to the generalizations entails hacking one's way with a machete through an undergrowth that offers briars, burrs and thorns on every branch. But when one has come out into the clear one has the feeling that Mr. Siegan has accomplished something that will stand as a landmark for the rest of our century.

Mr. Siegan got into his subject during years spent as an attorney specializing in real estate problems in Chicago. He was impressed with the fact that the land planners who have been responsible for the idea that you can zone a community for beauty and gracious living almost never succeed in acting as the disinterested judges which they fancy themselves to be. They are necessarily in politics up to their ears, with pressures beating in upon them from all sides. In suburbs where life styles have already been fixed they may not do badly, for in such circumstances they are merely called upon to endorse patterns that are part of an accepted status quo. But in big cities where life styles vary and the needs of commerce are many, there can be no standards by which every proposal can be measured.

Market surveys costing thousands of dollars may be necessary. Who has the wisdom to decide on priorities? There are questions of compatibility, property values, traffic, existing use, Utopian expectations, future growth, conservation, nuisances, the need for schools, and general economic feasibility. The whole thing becomes

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a political struggle, and those with the biggest clout at the polls or in the councils of the dominant political party must win. The strongest, it is perhaps unnecessary to add, are not always the ones with the most cultivated esthetic sensibilities.

The Houston Example

Having witnessed the trials of the zoning planner in Chicago, Mr. Siegan looked about him for a city that has managed to get along without zoning laws. He found one in Houston, Texas. The University of Chicago Law School gave him a research fellowship in law and economics, and he was off to Texas to make some empirical studies on the spot. His investigations not only took him to Houston, where "planning" is left to the professional subdivision developers, but to Dallas, a community that depends on zoning both for its suburbs and its downtown business sections. What he found is presented in massed detail that can be extremely bewildering. But when one has finished with the intricate statistical columns and the graphs one realizes that zoning is one of the great "liberal" hoaxes of our time.

The fact is that Houston and its suburbs, which have always rejected zoning boards and the eternal struggle for "variances" and amended rules, do just as well as Dallas, and even a little better. In Dallas they tell you where you can and cannot put up a high-rise office building; in Houston there are no geographical restrictions. So what happens? The Houston skyline is just as orderly as the one in Dallas. The Houston business section is contained in one big self-created "district." In Dallas there are two "districts." The effect of architectural comeliness is more or less the same in both cities. And neither yields to the other in convenience.

Restrictive Covenants

Beyond the business area Houston tends to be a "single-family" town. The residential areas, many of which have restrictive covenants of a voluntary nature (you accept the space rules put into the contract by the developer), are neat and orderly. Gas stations and shops have not invaded the back streets; they couldn't make a go of it economically if they did. Land values have proved effective in separating business and industrial real estate from the single-family lots. Houston is an industrial town, but both its heavy and light industry stick close to the major truck arteries, the railroads, and the docking facilities. The city has not been "Manhattanized," which means that the apart-

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ment houses have not taken over even where one might expect people to go in for apartment living. As for billboards, they are where thousands of motorists need them for information.

The citizens of Dallas, who have accepted zoning, can't boast of any amenities (aside, maybe, from *Nieman Marcus*) that may not be found in "anarchic" Houston. Dallas is a single-family home town, too. But the virtues of regulation provide nothing that Houston's voluntaristic approach does not offer in comparable profusion and at less cost.

Can one draw a generalized conclusion from the fact that rents in Houston are lower than in Dallas? Mr. Siegan obviously thinks that one can. The conclusion would seem to be that Houston offers more variety for less rental money than Dallas without debasing its land value structure by charging less for home acreage. Mr. Siegan's tables are complicated, but this is what they seem to tell us.

The Voluntary Urban Pattern

Other generalizations follow from Mr. Siegan's study of the two Texas towns. The absence of land use restrictions is financially rewarding to a community because it allows for a greater development. Where the negative action of zoning curtails construction and drives business and employment away, the real estate tax collections suffer. There is less money to pay for parks and schools. This, says Mr. Siegan, is an extremely high price to pay for forcibly maintaining the urban pattern which, as the experience of Houston demonstrates, can be preserved by voluntary means. The best fiscal zoning, so Mr. Siegan insists, is no zoning.

The only people who really benefit from zoning are the planners themselves. They make careers of it, which pays off in ego trips if not in money. The planning they do, however, is more improvization than planning, for zoning laws are invariably the resultant of pressures exerted on planning boards by a medley of politicians, owners, courts, do-gooders, do-badders, and general busybodies.

Speaking of land use legislation, Mr. Siegan says the planning of large areas is repugnant to the intelligence. Any state agency is bound to have only the most cursory knowledge about local conditions. Just evaluating the potential uses and demands for a fraction of a mile within a metropolitan area may cost thousands of dollars. In the end, as Mr. Siegan shows, one comes out with less than the free market will provide if one lets things alone.

Will our zone-crazy country take

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Mr. Siegan seriously? I am told that some 4,000 copies of his book have been sold, but surely it needs translation into a less complicated idiom if it is to have the maximum effect. Mr. Siegan explains himself most lucidly in interviews, which means that he is quite capable of doing the necessary simplification if he so chooses.

▸ SELECTED WORKS OF ARTEMUS WARD Edited with an Introduction by Albert Jay Nock (New York: AMS Press, Inc., 1972, 295 pp., $7.50) (Available from the Nockian Society, 30 South Broadway, Irvington, New York 10533.)

Reviewer: Robert M. Thornton

Charles Farrar Browne, who used the pen name Artemus Ward, was born in 1834, at Waterford, Maine, and died in 1867. He was a reporter on the Cleveland *Plain Dealer*, edited *Vanity Fair* for a short time, and gained a reputation as a humorous lecturer. Ward was much more than this, Nock contends; he was "the first really great critic of American society. . . . In fact," Nock continues, "the only one who seems to me to stand with him is another victim of popular misbranding in our own time, Mr. Dooley. In our appreciation of both these men it is interesting to see how far our instinct outruns our intelligence; we think they affect us by the power of their humour, when nine times out of ten what actually affects us is the power of their criticism – and here, no doubt, we have the reason why their names persist. For instance, there is no great humour in Ward's oft-quoted observation on the fanatical extravaganzas of Abolitionism; what really interests us is its exact correspondence with history's verdict upon them."

Ward had the ability to keep a clear and steady view of things as they are. He was a Unionist, a friend of the Administration, yet his greatest praise of Lincoln was for remaining "unscared and unmoved by Secesh in front of you and Abbolish at the back of you, each one of which is a little wuss than the other, if possible." Ward once said of writers like himself that "They have helped the truth along without encumbering it with themselves." As Ward saw America, writes Nock, "its god was Good Business; its monotheism was impregnable. Of man's five fundamental social instincts only one, the instinct of expansion, had free play, and its range was limitless. The instincts of intellect and knowledge, of religion and morals, of beauty and poetry, of social life and manners, were disallowed and perverted."

Ward had the true critical temper – an easy, urbane, unruffled

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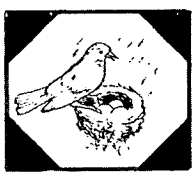
superiority to the subject of his criticism. "Its influence dissolves rancour; by its aid one surveys the hardness and hideousness of Baldwinsville in a truly Socratic spirit, with no resentment, and with no evangelical desire to expostulate with the citizens of Baldwinsville upon their waste of life."

This book was first published in 1924, and it is good to see it back in print.



Foundation For Protest: A Father's Letters to His Grown-Up Children by Frederic W. Overesch (516 West 34th St., New York, N. Y., Vantage Press 1972) 121 pp. $4.95.

Reviewed by Paul L. Poirot

Fritz Overesch spent most of his first seventy years in advertising and market communications work and wants to share some of the things he has learned about the blessings of freedom and the miracle of the market. Let his words tell the story:

"It seems to me that these Laws of Creation, so well defined by Moses on the basis of past experience, pretty well govern the voluntary behavior of human beings – regardless of religious faith or lack of it – regardless of economic theories – regardless of political philosophies. But human beings, born with free will and free choice, can choose whether or not to obey them . . . .

"The foundation for my protest is based on past experience and the mistakes of past generations recorded in 4,000 years of history. Consequently, my protests are not against those in the Establishment *who fail to solve our current problems*, but against the members of the Establishment *who continue to repeat the mistakes of the past – which caused the problems in the first place* . . . .

"From all the years of recorded history, it seems self-evident that the greatest miracle of Creation is that human beings were born to be free. And in all the Laws of Creation which accompanied the orderly nature of Creation some were designed to govern the behavior of human beings so they could be free to fulfill their purpose in this great universe.

"Once we stop violating the Laws of Creation – once we start working in harmony with those Laws, we shall make the same kind of progress in the improvement of human behavior as we have in the field of science."

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